

全美律师公会知识产权法工作组，国际法工作组，科技法工作组对中华人民共和国专利法修订草案的联合提交

美国律师公会知识产权法工作组，国际法工作组，科技法工作组（以下合称“组合”）藉此机会对中华人民共和国知识产权局 2006 年 7 月 31 日提交的中华人民共和国专利法修订草案提出合组建议。* 本文陈述之内容代表了三工作组的共同观点，但因未经美国律师公会之会员代表大会或理事会的复批，不应视此建议代表美国律师公会的政策。

这 3 个组合共有超过 28,000 律师，大部分都是美国律师，其中也有相当数量的人居住和工作在美国境外，包括有居留于中华人民共和国。组合的成员在美国及世界的知识产权领域都有相当的专业知识。会员包括在公司法律事务部门的律师和法学院的教授，私人行业和政府部门工作的律师。此外，也有非美国律师以联系会员的方式参与组合工作，并用他们的专业知识和强而有力的见识为组合做出了贡献。

这些建议是基于组合的成员在美国知识产权和国际商务法领域中的经验所提出的。组合希望这些建议草稿对中华人民共和国知识产权局以后几个月考虑进一步专利法的修订有所帮助。

摘要

这些建议是针对（1）修订草案的一些条款和（2）有一些在修订草案中没有提到而在中华人民共和国知识产权局 2005 年 3 月的研究课题指南（研究指南）中关于中华人民共和国专利法及其实施细则第三次修改所提到的问题。组合讨论了这

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些修订草案没有提出而研究指南提出的问题，是因为这些问题在关于修订草案讨论中可能提到。

关于修订草案和研究指南,组和建议如下，其理由在下面讨论中详述。

第二条 (定义)

三组合支持专利法条款中的基本定义，对于“发明”和“实用新型”定义提出如下的修改建议：

“发明”是指新的对产品，生产制造，设备，方法，物质的组合或者对其的改进所提出的新的技术方案。

“实用新型”是指对产品的形状，物质构造或者其结合所提出新的，适于实用的新的技术方案。

“外观设计”是指任何对产品新的形状、图案或其结合，以及色彩与形状、图案的结合成，所作出的富有美感并适于工业应用的新设计。

第五条 (对于违反公共秩序的发明创造不授予专利权)

我们建议将新的第二段中“违反国家法律的发明创造”修改成“可能对公共秩序产生危害的创造发明”或者类似的措辞，使其接近 WTO 协议中与贸易有关知识产权协议的第 27 (2) 条。以及去掉文中明显不一致的文字。

第六条 (职务创造发明的归属)

组合建议第六条中可以取消 (1) 雇主的材料和技术都要被雇员在发明中使用 为雇主在这项发明中有任何权利的条件，而且取消(2) 雇主对雇员的发明创造享有权利应该是无论发明是否涉及雇主的事务或者是否在雇员之工作范围内。

因此我们建议第六条的前两段可以如下修改：

执行本单位的任务或者主要是利用本单位的物质技术秘密条件或是材料所完成的发明创造为职务发明创造。不是职务发明创造的发明创造是非职务发明创造。

不仅仅利用本单位的技术机密还有物质技术条件和材料所完成的发明创造，单位与发明人或设计人订有合同，对申请专利的权利和专利权的归属做出约定的，从其约定；如果没有约定，那么该创造发明就是职位创造发明，但是单位有权利通过非专属和不可转让的方式来支配发明。

对于非职务发明创造的专利申请权利和所有权，单位和发明人之间若订有合同，依照合同规定。如果没有签定合同，利用本单位的物质技术或是材料或甚至没有使用单位材料和技术但是跟单位事务有关的非职位发明创造，单位就有权通过非专属和不可转让，不用付费的方式来支配发明创造的权利。

第九条 (一项发明一项专利)

组合建议范围相同的发明专利和实用新型专利是不应该被允许的，但是交叉或者互补的发明和实用新型有创造价值的，是应该允许颁发专利的。

组合相信如果这样，由共同的发明和实用新型专利产生的问题的案子将会大大地减少，如下面组合对第 40 条所提出的建议，在实用新型的申请中应有实质性审查或者最少有官方的检索。

第十条 (专利申请权利的转让)

组合赞成第十条第一段中承认由发明者签署的合约来转让非职务发明创造并且建议这规定可以延展至所有的发明创造。

我们支持草案删除第 10 条中关于任何中国个人或单位向外国个人或单位转让专利申请或者专利权都必须经国务院有关主管委员会小组批准的要求。

第A1条 (多个发明人)

组合建议草案中使用“一个以上...”的短语，而不要用“两个以上的单位或者个人”的短语，从而充分的体现草案的明显意旨。我们注意到第八条和第九条里也有同样的措辞“两个以上”，建议专利法中类似的地方也应该修改，来正确地体现草案的意旨。

第十四条 (国有企事业单位发明的专利)

组合赞成修订草案中，允许承担国家投资的项目的单位对这些项目中所产生的创造发明去申请专利。此条款能鼓励发明商业化的发展。

第十六条 (职务发明的奖励要求)

组合发现 SIPO (中华人民共和国知识产权局) 在草案中没有修改这一条，我们建议 SIPO (中华人民共和国知识产权局) 把这一条从专利法中删除。我们相信让公众政策允许单位更有弹性地作出他们自己的安排会对专利法有更好的发展。

第十九条 (指定代理机构)

组合赞成草案第十九条中允许正式建立的中国专利代理机构代办向国外的专利申请，但第十九条依然要求在中国没有经常居所或者营业所的外国人或单位委托指定的中国代理机构办理。我们建议在 TRIPS (与贸易有关的知识产权协议) 的国内待遇原则下，专利法应该允许外国人或单位使用专利代理机构或者直接让他们自己办理专利申请。

第二十条和第六十四条 (在国内完成的发明创造的专利申请)

组合赞成草案中第 20 条和第 64 条删除制定中国单位或者个人将其在国内完成的发明创造向外国申请专利时应该委托其指定的专利代理机构办理的要求。我们建议专利法允许在国内完成但没有在中华人民共和国内申请专利的发明创造可以在中华人民共和国之外去获得专利申请许可。

第 22 条 (关于发明与使用新型授予专利权之标准)

美国律师公会的<国际法部工作组>, 科技法工作组与<知识产权工作组> (以下简称“组合”)支持国家知识产权局修改专利法第 22 条并建立单一新颖性标准之决定. 这就是说, “新颖性”的定义, 将不受限于曾经在中国境内公开过的现有技术, 而涵盖了全世界的现有技术. 另外, 我们也支持, 为了符合<欧洲专利公约>等其他国际专利公约而修改有关实用新型与发明的条文. 不过, 两组合 也诚恳建议国家知识产权局在修法的同时, 由於修改条文中针对“现有技术”定义的部份, 包含在申请日以前於国内外通过...“其他方式为公众所知”, 因此 组合 希望国家知识产权局将全盘考虑此项条文中, 对“现有技术”广泛定义所涉及的一切含意.

为了达成以下的目的, 组合 也诚恳建议进一步修改第 22 条:

a) 当专利审查人员判定, 发明专利未达到“新颖性”或“创新”标准时, 专利审查人员应当 承担 提出证据, 来证明该发明属于现有技术.

b) 把“预期到的发明”定义为: 从一项现有技术, 可明确鉴定所有 预期到的元素的存在.

c) 缺乏创新性要审查人员提出具有合理的说明如何把现有技术各的部份说明用合理而公平的方法拼接起来, 以整体考量请求发明所有元素, 只, 缺乏创新.

d) 建议消除条文中所提的: “创造性, 是指同申请日以前已有的技术相比, 该发明有突出的实质特点和显著的进步.”

e) 有关发明专利的部份, 建议可用以下的言辞: “除非审查人员能透过提出特定证据的方式, 证明请求的一切元素曾经出现过在一项现有技术内, 或对两个以上现有技术, 能以合并与整体考量的方式, 提出具有合理之说明之外, 应当授予正当请求发明专利的申请者专利权.”

至於第 22 条 (3), 有关实用性的部份, 我们建议不要修改.

第 23 条 (关于外观设计授予专利权之标准)

针对外观设计专利而言, 组合 都支持把发明定新层次的标准, 除了新颖性之外. 我们建议可以先考量利用客观的标准决定新颖性 或定非显而易见性为 客观标准, 然後针对第 23 条(1)所提出的”现有设计特徵的组合”部份条文, 再进一步 澄清其含意.

由於能有效地遏止国外现有技术或公众技术在中国授予专利权的问题, 因而能够消灭”专利 霸占”问题, 委员会组合 支持第 23 条(3)之修改.

第 24 条 (关于宽限期)

为了接轨於全球专利法标准, 组合 诚恳建议把现有的六个月宽限期延长至 12 个月.

第 25 条 (不授予专利权之项目)

,组合建议国家知识产权局考虑修改专利法, 专利法施行细节或专利检验规定等法规, 对电脑软体施行之发明只要 该发明有具体用处及实质效果, 都应屬於授予专利法保护范围内,.

我们也建议国家知识产权局能考虑终止针对电脑软体务必以技术的方式解决技术之问题并达到技术之结果, 才能列入授予专利权范围内,的规定.

组合 认为良好的公众政策.,应扩大专利保护范围 , 以包括 新兴, 具有用处及无显 然易见 之非人类多细胞生物, 包括植物及非人类之动物在内。

第 A2 条 (有关赖於遗传资源之特定发明)

由於 此项 条文过於模糊 , 并无法在没有专利申请之情况下,有效地遏止遗传资源之滥用, 亦 因为 此条文 之目的可以从创新与有发明性等规定,以及其他法律来管制, 组合 建议不要执行这项修改.

第 26 条 (关于申请书之内容)

组合认为,只要有效地执行法规之申请者坦诚的义务,和申请者已有的公开发明的义务,应该能充分遏止滥用遗传资源及传统知识来获取不当之专利权,因此强制公开遗传资源并非良好的公众政策,故缺乏其必要性.

第 27 条 (外观设计请求书), 第 33 条(申请文件之修改), 及第 56 条 (说明书及附图)

组合认为,外观设计之请求书部份,应以附图为主要解释基础之原则下,简略说明并非必要,也就是说,附图需要进一步说明时,才务必提供简略说明. 这样有选择性的简略说明,可以解释附图中虚线之用处. 亦能进一步结合第 22 条及第 56 条有关解释外观设计专利附图之程序.

第 29 条 (关于优先权)

为了配合国际之惯例,组合建议修改第 29 条,来特别说明“优先权”等是在第 22 条规定下,较早之申请日.

第 31 条 (关于一种产品,多种外观设计)

由于这项修改条文允许同一产品,在单一申请书中能授予两个以上之外观设计,组合支持这项修改此项条文.

第 35 条 (关于专利申请审查之开始)

组合建议,在某些特定状况下,应当有提前审查之程序.

第 38 条 (关于申请之驳回)

组合建议在第 38 条最后一句,加以下的词句:“但是,若国务院专利行政部门提出新的驳回申请之理由,其新的驳回理由应当依照本法第 37 条,向申请人提出驳回理由之通知使申请人有机会反驳.”

第 40 条 (关于实用新型及外观设计之授予专利权)

关于实用新型专利的部份,组合认为:

1. 如果实用新型在授予专利权之前先进行新颖之检验,将有助於公众利益.
2. 在国家知识产权局资源允许之条件下,如果实用新型在授予专利权之前能够进行非显然易见的审查,将有助於公众利益.
3. 专利审查,若能以国家知识产权局或国外专利当局之官方检索是最好的政策.
4. 在实用新型申请尚未授予专利权之前,如果让第三者自由提出更多的现有技术证据,另外也规定专利授权之前先发表申请,以方便第三者介入,将有助於公众利益.
- 五. 要求对同样主题同时授予实用新型及发明两种专利权规定放弃实用新型专利来换取发明专利权,将有助於公众利益.
- 六. 组合认为国家知识产权局的提议,专利法应当有对内容重复之发明以及实用新型专利之申请,涉及实质上并非相同之主题,应当有特定的判断标准,是明智的.

我们也建议修改第 40 条,将外观设计之侵权有效日期,至少是从中国境内申请日开始计算,.至於其他有关於外观设计专利之议题,委员会组合请参考以上有关第 22 条及第 23 条部份.

第 42 条 (外观设计专利权有效期限)

为了配合<工业品外观设计国际保存海牙> <1999 年日内瓦协定>所促进的国际共识,组合建议把现有之外观设计保护期限,延长为申请日後 15 年.

第 44 条 (关于权益终止)

组合建议,国家知识产权局考虑在特定的状况下,比照<专利法公约>之第 12 条,让申请人有机会可以恢复因为逾期而丧失之权益,.

第四十五条 (宣告专利权无效)

全美律师协会组和建议第四十五条修改为专利权宣告无效只限于专利授权后发起的新实质性问题。

第四十六条 (宣告专利权无效程序)

全美律师协会组和建议各级人民法院及国家专利复审委员会均有权宣告专利权无效。具体来讲,法院在审查专利复审委员会的决定时应当有权:(i)推翻专利复审委员会的决定,用法院的权力宣告专利权无效;或者(ii)撤销专利复审委员会的决议案,将案件转回专利复审委员会重新审理。这样的权力可以给法院更大的宽度复审专利复审委员会的决定,作出有效的审查。对于每个具体案件法院是否做出最后决议是要依靠档案记录中事实阐明的良好程度。

第四十八,四十九,五十,A3和五十五条(强制许可)

全美律师协会组合基本上支持修订草案中强调许可只能在专利权人在专利授权满三年后无正当理由没有实施专利颁发。可是,本组和更支持完全取消第四十八条的规定。至少,本部门建议强制许可只能由国务院直属部门的一个部长或副部长级别以上的官员签发或联合签发,签发部门必须与国家知识产权局无关联。

本组和建议“国家紧急状态”,“国家非常情况”和“流行病”的概念应当有更严格的定义。鉴于目前世界对中国知识产权实施状况的质疑,我们强烈建议中国采取措施避免为第三国家生产的药品通过强制许可而流进中国市场。

本组和建议在新专利法的第A3条中囊括《实施细则》第七十二条关于强制许可的全部规定。我们同时建议知识产权局对第五十条第二段修改如下:

依照前款规定给予实施强制许可的情形下,国务院专利行政部门根据申请,也可以必须给予前一专利权人强制许可实施后一发明或者实用新型。

第五十七,A4,A5,和A6条(纠纷解决方式)

本组和建议专利权人或者有利害关系之人在向人民法院起诉或请求专利行政管理部门处理以前,必须先经过调解或仲裁。本组和支持修订草案中授权专利行

政管理部门调查情况并阻止侵权活动。我们相信在处理外观设计专利侵权纠纷时，明智的做法是要求当事人双方提供检索报告。

第 A7 条 (侵犯发明或实用新型专利权)

本组和支持修订草案中增加关于等同论和"prosecution history or file wrapper estoppel" (不得反供专利审查历史原则) 的新规定。但是，我们建议将“等同论”的定义从“基本相同”(basically identical) 改为“实质相同” (substantially identical)。

第 A8 条 (侵犯外观设计专利权)

本组和建议删除第 A8 条关于“产品”的限制。我们建议在决定是否侵权时，应当看被控侵权产品是否与外观设计专利的图片或照片相同或相似，而不是比较被控侵权产品与外观设计专利中指定的产品。

第 A10 条 (对侵权指控的辨诉)

本组和支持授权人民法院决定被控侵权人实施的技术或设计是否属于现有技术或者现有设计，从而认定该实施行为不构成侵犯专利权的行为，而不追究所涉及专利权的有效性。我们支持如果专利权人恶意提出侵权指控，被控侵权人应当可以得到补偿适当的损失。但本组和强烈建议要调用充分的资源来训练法官处理此类问题。

第 A11 条 (对再次侵权行为附加罚款)

本组和建议第 A11 条修改为：如果专利权人被同一侵权人用类似行为再次侵犯同一专利，专利权人有权获得附加罚款。否则专利权人可能无法获得合理赔偿，甚至不够补偿所付出的诉讼费用。

第六十条 (侵犯专利权的赔偿数额)

本组和支持第 60 条增加法定侵权赔偿额，但是建议最高法定侵权赔偿额由 100 万元增加到 4 亿元，以保障有效的专利权保护。

第六十二条和第 A13 条 (诉讼时效)

本组和建议第六十二条和第 A13 条修改为: 在所有情况下赔偿期均为六年。另外, 我们建议第 A13 条明确规定强制许可的条件与该许可的条款。

第六十三条 (例外情况)

本组和建议第六十三条第(1)条中准许平行进口的规定限于在销售出口国中已获专利保护的产品。我们同时建议进一步限制第(4)条中科学研究和实验例外的范围, 因为这个例外容易被滥用。

为方便行政审批医药和医疗设备的需要, 本组和建议在第(5)条中增加类似“Bolar (卜拉案)”规定的例外情况。

第六十五条 (侵夺发明人专利)

本组和建议若有人非正当递交专利申请, 或用非正当手段获得专利权时, 法院有权将专利申请或专利权转给正当专利申请或权人。

研究指南第 2.1.3 (配合《专利法公约》的规定)

本组注意到本修订草案未涉及对 2000 年《专利法公约》的处理。但由于研究指南中提到了这个问题, 并且这个问题可能会在以后的修订案中再次出现, 我们借此机会表达我们支持配合专利法公约, 新的专利法可以: a) 依照《专利法条约》的有关规定制定专利法; 和 b) 认可《专利法公约》。

研究指南第 2.3.3 (间接侵权)

本组注意到修订草案未涉及间接侵权。由于研究指南中提到了这个问题, 并且这个问题可能会在以后的修订案中再次出现, 我们借此机会建议新的专利法应当规定: a) 任何主动诱导侵权行为的人应当负侵权责任; b) 任何帮助侵权行为的

人应当负侵权责任；c)任何在中华人民共和国境内出售或许诺出售，或进口已经取得专利权的装置的部件、制成品、零件的组合或合成物，出售可用于已经取得的方法专利权中的材料或者设备（属于该方法发明的主要组成部分）的，而且明知所出售的物品是故意为侵犯专利权而专门制造或改造的，也明知上述物品不属于基本上不构成专利侵权用途的生活必需品或商品的，应当承担连带侵权责任。

研究指南第 2.3.6（建立统一的专利或者知识产权上诉法院）

本组和注意到修订草案未涉及到建立统一的专利或者知识产权上诉法院。但由于研究指南中提到了这个问题，并且这个问题可能会在以后的修订案中再次出现，我们借此机会建议成立一个统一的国家知识产权上诉法院，受理全国各级法院及行政部门所有处理专利侵权或专利无效的一审案件，并且规定此上诉法院的判决可上诉去最高人民法院。我们相信这样的系统将会大大增强中国专利法的司法保护。

研究指南第 2.4.4 (关于国家强制性标准与专利权的关系问题)

本组和注意到修订草案未涉及国家强制的标准与专利权的关系。但由于研究指南中提到了这个问题，并且这个问题可能会在以后的修订案中再次出现，我们借此机会支持国家专利局不要对被纳入强制的国家标准的专利技术的专利权进行特别限制的决定。

**Joint Submission of the American Bar Association’s
Section of Intellectual Property Law, Section of International Law,
and Section of Science & Technology Law
on Draft Amendments to the Patent Law
of the People’s Republic of China**

The Section of Intellectual Property Law, the Section of International Law, and the Section of Science & Technology Law of the American Bar Association (collectively, the “Sections”) take this opportunity to submit comments on draft amendments (Draft Amendments) to the Patent Law of the People’s Republic of China (PRC), published for comments on July 31, 2006 by the PRC State Intellectual Property Office (SIPO).^{*} The views expressed herein are presented jointly on behalf of the Sections. They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association, and, accordingly, should not be construed as representing the policy of the American Bar Association.

The combined membership of the three Sections includes over 28,000 lawyers. Most of the members are based in the United States of America, but a substantial number have lived and worked abroad, including in the PRC, and some do so currently. Members of the Sections have substantial expertise in intellectual property (IP) rights laws in the United States and around the world. Our membership includes lawyers in the law departments of businesses and the faculties of law schools, as well as in private practice and in government. In addition, many non-U.S. attorneys are active as Associate Members in the Sections and have contributed their expertise and insights to the Sections’ work.

These Comments offer the perspective of the Sections based on our members’ experience in the United States in the fields of IP rights and international business law. The Sections hope that these comments will assist SIPO as it evaluates the Draft Amendments, and as it considers further amendments in the coming months.

Executive Summary

These comments address (1) some articles of the Draft Amendments, and (2) some topics not addressed in the Draft Amendments that are identified in the March 2005 Subjects Researching Guide (Researching Guide) issued by SIPO regarding the Third Amendment to the Patent Law and Implementing Regulations of the PRC. The Sections

^{*} The members of the Task Force that drafted these comments are Qiang Bjornbak, Henry Blanco-White, Jason Blatt, Emil Chang, Jiwen Chen, Sophie Chen, Elizabeth Chien-Hale, Yee Wah Chin, Michael Dai, Manisha Desai, William T. Fryer III, Julie Gover, Martin Hansen, Jing He, Joseph Heckendorn, Soonhee Jang, Paul Jones, Thomas A. Ladd, Z. Julie Lee, Holly Li, Maria C.H. Lin, Emile Loza, Steven Ludwig, H. Howard Morse, Amelia Porges, Joseph E. Rogers, Dana Tait Sandlin, Joseph Simone, Greg S. Slater, Su Sun, Antoinette M. Tease, John Todaro, Lyle Vander Schaaf, Naomi Voegtli, and Xinsheng Wang.

discuss these topics of the Researching Guide because, while they are not raised in the Draft Amendments, they may be raised in discussions regarding the Draft Amendments.

With respect to the Draft Amendments and the Researching Guide, the Sections respectfully submit, for the reasons presented in detail in our discussion below:

Article 2 (Definitions)

The Sections support the inclusion in the Patent Law of definitions of fundamental terms and suggest that the proposed definitions of “invention” and “utility model” be revised as follows:

“Invention” means any new ~~technical solution relating to a product, manufacture, machine, a process, composition of matter,~~ or improvement thereof.

“Utility model” means any new technical solution relating to the shape, physical structure, or their combination, of a product, which is fit for practical use.

“Design” means any new design of the shape, pattern, or their combination and the combination of color and shape or pattern, ~~of a product,~~ which creates an aesthetic feeling and is fit for industrial application.

Article 5 (No Grants of Patents against Public Order)

We respectfully suggest that “invention-creation that violates the laws of the State” at the beginning of the new second paragraph be amended to “invention-creation the exploitation of which would be harmful to public order” or similar language, for closer agreement with Article 27(2) of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS Agreement”), and to remove the apparent inconsistency in the present text.

Article 6 (Ownership of In-Service Inventions)

The Sections suggest that Article 6 be revised to remove any suggestion that (1) both the employer’s materials *and* technical means must be used by an employee for the employer to have any rights in such an invention, and (2) the employer has rights to any invention by an employee regardless of whether the invention was related to the employer’s business or to the scope of the employee’s work.

We therefore suggest that the first two paragraphs of Article 6 be revised to read as follows:

An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the technical secrets or materials of the entity, is a service invention-creation. Invention-creations that are not service invention-creations are non-service invention-creations.

~~In respect of an invention-creation made by a person using materials and technical means other than said technical secrets, of an entity and the inventor or creator have entered into an agreement on the right to apply for and own a patent, such an agreement shall apply; if no agreement has been made, the invention-creation is a non-service invention-creation, but the entity has the right to exploit the invention-creation in a non-exclusive and non-transferable manner.~~

Where the entity and the inventor have a written agreement concerning the right to apply for and own a patent for non-service invention-creations, the agreement controls. In the absence of a written agreement to the contrary, if the non-service invention-creation is made using materials of the entity, or technical means of the entity, or even without using materials or technical means nonetheless relates to the entity's business, then the entity has the right freely to exploit the invention-creation in a non-exclusive and non-transferable manner.

Article 9 (One Patent for One Invention)

The Sections suggest that an invention patent and a utility model patent of identical scope should not be allowed, but an invention patent and utility model that overlap or are complementary may be beneficial and therefore should be allowed.

The Sections believe that the problems that in some cases are arising from concurrent invention patent and utility model protection will be greatly reduced if, as proposed in the Sections' comments on Article 40 below, substantive examination, or at least a compulsory official search, is introduced for utility model applications.

Article 10 (Assignment of Right to Apply for Patent)

The Sections support the first paragraph of Article 10 that recognizes agreements by inventors to assign future inventions of non-service inventions and suggest that this be extended to all inventions.

We support the amendment to delete the requirement of Article 10 to obtain approval from a department of the State Council for any assignment, by a Chinese

individual or entity, of the right to apply for a patent, or of the patent right, to a foreign individual or entity.

Article A1 (Multiple Inventors)

The Sections respectfully submit that the phrase “一个以上...” be used, instead of “两个以上单位或者个人” to fully reflect the apparent intent of the drafters. We note that the same phrase “两个以上” appears in Articles 8 and 9 at least, and suggest that it be similarly amended everywhere in the Patent Law, to accurately reflect the intent of the drafters.

Article 14 (Government-Funded Inventions)

The Sections support the proposed amendment to enable the entity undertaking projects funded by the government to apply for patents on invention-creations developed in those projects. This will encourage development of such inventions to practical use.

Article 16 (Requirement of Compensation for In-Service Inventions)

While the Sections recognize that SIPO has not proposed amendments to this article, we respectfully suggest that SIPO, as it moves forward in this process, delete this article from the Patent Law. We believe that it is better public policy to permit the parties the flexibility to make their own arrangements.

Article 19 (Appointment of Patent Agents)

The Sections support the amendment of Article 19 that allows all properly established Chinese patent agencies to represent foreign patent applicants. However, Article 19 still requires a foreign individual or entity to appoint an approved Chinese patent agency, if such foreign individual or entity does not have a habitual residence or business office in China. We suggest that, under the National Treatment principle of the TRIPS Agreement, the Patent Law be amended to allow foreign patent applicants to use a patent agency or file the application directly themselves.

Articles 20 and 64 (Applications for Inventions Made in China)

The Sections support the amendment of Articles 20 and 64 to delete the requirement to use a designated Chinese patent agency in filing patent applications in foreign countries. We suggest that the Patent Law be revised to allow an applicant to

obtain a license to file a patent application outside the PRC before filing for a patent within the PRC for an invention made in China.

Article 22 (Standards for Invention and Utility Model Patents)

The Sections support SIPO's decision to amend Article 22 to adopt a unitary absolute novelty standard -- that is, to define novelty as a public disclosure anywhere in the world, not just in China. We support the amendment to define novelty and inventiveness in a manner consistent with other international patent treaties, such as the European Patent Convention. However, the Sections suggest that SIPO consider the full implications of the broad definition of prior art under this article to include any technology known to the public by “. . . any other means in the country or abroad” before the date of filing.

For the reasons presented below, the Sections also respectfully suggest that Article 22 be further amended to:

- a) Place the burden on the patent examiner to establish, by specific reference to prior art, the basis of assertions that an invention as claimed is not novel or not inventive.
- b) Define anticipation of a claimed invention as established by the specific identification of all claim elements in one prior art reference.
- c) Provide that lack of invention be established by the identification of all claim elements in fairly combined prior art references considered as a whole, with a reasoned statement by the examiner supporting the combination of references.
- d) Delete the phrase “inventiveness means that, as compared with prior art before the date of filing the invention has prominent substantive features and represents a notable progress.”
- e) Read as to an invention patent: “The applicant shall receive a patent for the properly claimed invention unless the examiner establishes by specifically identified prior art that all claim elements occur in one prior art reference, or by a reasoned statement supporting the combination of two or more fairly combined prior art references, considered as a whole, to show all claim elements.”

We suggest that Article 22(3) should remain unchanged as to utility models.

Article 23 (Standards for Design Patents)

The Sections support a new level of invention, beyond novelty, for design patents. We suggest that an objective standard for determining the required level of invention, or non-obviousness, be considered and urge a clarification of Article 23(1) as to the meaning of the text “or a combination of the features of the prior design.”

We support the amendment to Article 23(3) as it would prevent others from obtaining protection in China for designs in public use or publicly known outside China, thus substantially eliminating the squatting problem.

Article 24 (Grace Period)

The Sections suggest extending the 6-month grace period to 12 months, to harmonize with patent laws worldwide.

Article 25 (Non-patentable subject matter)

The Sections encourage SIPO to consider amendments – either to the Patent Law itself, or to its implementing regulations and examination guidelines – that clarify that inventions implemented in computer software fall within the scope of patentable subject matter so long as the invention as claimed achieves a useful, concrete result.

We also suggest that SIPO consider the merits of having patent examiners eliminate the requirement that software must use a technical means, solve a technical problem, and achieve a technical result, in order to fall within the scope of patentable subject matter.

The Sections believe that it would be sound public policy for China to extend patent protection to new, useful, and non-obvious non-human multicellular organisms, including plants and non-human animals.

Article A2 (Denial of Patent Rights to certain inventions dependent on genetic resources)

The Sections suggest that this proposed amendment not be adopted, because it is ambiguous and does not prevent abuses of genetic resources where no patent is filed. Its apparent purposes can be better achieved through the requirements of novelty and inventiveness, and other laws.

Article 26 (Contents of Application)

The Sections believe that the mandatory disclosure of genetic resources would not be good public policy, and is unnecessary, because a properly enforced duty of candor and the requirement for an enabling disclosure for the invention should prevent the misuse of genetic resources and traditional knowledge to obtain unjustified patents.

Articles 27 (Design Applications), 33 (Amendment of Application), and 56 (Explanations of Drawings or Photographs)

The Sections suggest that a brief explanation of the design be made an optional part of the design application documents, with the requirement that the drawing be the primary source for interpretation, and an explanation be used when needed. The optional use of a description of the design can be used to state the effect of broken lines in a drawing. This will further harmonization in design patent procedures concerning interpretation of design patent drawings under Articles 22 and 56. In addition, the procedures concerning use and interpretation of drawings using broken lines in design patents, should be reviewed in relation to standards in other countries, with the goal of achieving further harmonization in design patent procedures concerning interpretation of design patent drawings.

Article 29 (Right of Priority)

The Sections suggest that Article 29 be amended to specify that the “right of priority” gives an earlier effective filing date under Article 22, to conform to international practice.

Article 31 (Multiple Designs for the Same Product)

The Sections support this amendment, to enable two or more similar designs for the same product to be filed as one application.

Article 35 (Commencement of Review of Application)

The Sections suggest the adoption of an accelerated examination procedure under specified circumstances.

Article 38 (Rejection of Application)

The Sections suggest adding the following as a last sentence to Article 38: “However, if any new grounds for rejection is raised by the Patent Administration

Department, such new grounds of rejection shall be raised with notice provided to the Applicant under Article 37 providing Applicant with an opportunity to respond thereto.”

Article 40 (Grant of Utility Model or Design Patent)

As to utility model patents, the Sections believe that:

A. it would be beneficial to the public for utility models to be examined for novelty before grant.

B. it would be beneficial to the public, when SIPO resources permit, for utility models to be examined for non-obviousness before grant.

C. it is desirable for examinations to be based on an official search, either by SIPO or by a foreign patent office.

D. it would be beneficial to the public to permit third parties freely to file additional prior art against pending utility model applications, and to publish utility model applications before grant to allow third party intervention.

E. it would be beneficial to the public to require an applicant who obtains a utility model and an invention patent for the same subject matter to surrender the utility model as a condition for grant of the patent.

F. SIPO’s view is wise, that the patent law should set specific criteria for when to allow, and how to handle, invention patent and utility model applications for overlapping subject matter that is not actually the same.

We suggest that the effective date of design patents for infringement rights be at least from its application filing date in China, and that Article 40 be amended accordingly. As other issues relating to design patents, the Sections respectfully refer to their comments regarding Articles 22 and 23.

Article 42 (Duration of Design Patents)

The Sections suggest that the duration of patent right for designs be extended to 15 years from the date of filing, to conform to international consensus developed as a part of the Geneva Act (1999) of the Hague Agreement Concerning the International Registration of Industrial Design.

Article 44 (Termination of Rights)

The Sections suggest that SIPO consider providing that an applicant may recover lost rights after a missed time limit under certain circumstances, such as Article 12 of the Patent Law Treaty.

Article 45 (Declaration of Invalidity)

The Sections suggest that Article 45 be amended to provide for a declaration of invalidity only if there is a substantial new question that has arisen following the grant of the patent right.

Article 46 (Procedures for Declarations of Invalidity)

The Sections suggest that the power to invalidate patents be granted to both the People's Courts and SIPO's Patent Reexamination Board ("PRB"). More specifically, a court, when reviewing a decision of the PRB, should have the power either to (i) reverse decisions of the PRB and revoke the patent on its own volition; or (ii) vacate PRB's decision and refer the case back to the Board for further factual investigation and determination. This authority would give courts more flexibility to adjudicate appeals of PRB decisions efficiently and effectively. Whether a court will enter a final decision in a particular case would depend largely on how well the facts of that case are set forth in the record.

Articles 48, 49, 50, A3 and 55 (Compulsory License)

The Sections generally support the limitations proposed in Article 48 on when compulsory licenses may be granted where there is failure to exploit a patent within three years of patent grant, though we suggest that it may be even better to eliminate Article 48 entirely. In all events, we suggest that any grant of compulsory license must be authorized or co-authorized by an official at a Minister or Vice-Minister level in a department directly governed by the State Council and independent of SIPO.

The Sections suggest more refined definitions for terms such as "national emergency," "extraordinary state of affairs," and "epidemic disease." We also urge careful measures to prevent migration of pharmaceuticals manufactured for third-countries into the PRC domestic market following grants of compulsory licenses, given the current challenges in enforcement of IP rights in China.

The Sections support the incorporation of the licensing restrictions of Rule 72 of the Implementation Regulations into the Patent Law itself through new Article A3. We also suggest that SIPO revise the second paragraph of Article 50 to read:

Where, according to the preceding paragraph, a compulsory license is granted, the Patent Administration Department under the State Council ~~shall~~may, upon the request of the earlier patentee, also grant a compulsory license to exploit the later invention or utility model.

Articles 57, A4, A5, and A6 (Resolution of Disputes)

The Sections suggest that, prior to instituting a legal proceeding in the People's Court or filing a request with the Patent Administration Department, the parties be required to enter into a binding mediation or arbitration process. The Sections support the proposed amendments authorizing the Patent Administration Department to act to prevent further injury from infringement and to fully investigate disputes. We also believe that it is wise to require the parties to provide a search report in the case of design patent disputes.

Article A7 (Infringement of Invention or Utility Model)

The Sections support the adoption in the proposed amendments of the doctrine of equivalents, and principle of "prosecution history" or "file wrapper estoppel." However, we suggest that, in the definition of "equivalents", the phrase "basically identical (基本相同)" be changed to "substantially identical (实质相同)."

Article A8 (Infringement of Design Patent)

The Sections suggest the deletion of the "product" requirement from Article A8. We also suggest that infringement of a design patent require only that the alleged infringing product be identical or similar to the design patent drawing or photo, and no requirement be made that the alleged infringing product be identical or similar to the product indicated explicitly in a design patent.

Article A10 (Defenses to Infringement Claims)

The Sections support the authorization of the People's Courts to consider a defense that the accused infringer is simply practicing what is available in the public domain, while not deciding the validity of the patent in dispute. We also support compensation to the alleged infringer where the patentee made an accusation in bad faith. However, the Sections urge that adequate resources be allocated for educating judges in such matters.

Article A11 (Enhanced Damages against Repeat Infringers)

The Sections suggest that new Article A11 be revised to provide enhanced damages paid to the patent owner for repeated infringement, because otherwise the patent owner may not be fully compensated even for the cost of the infringement or the lawsuit.

Article 60 (Amount of Compensation for Infringement)

The Sections support the proposed amendments to Article 60 to provide for statutory damages, with the exception that the upper limit of 1,000,000 yuan should be replaced with the amount of 400,000,000 yuan in order to ensure robust and effective protection of patent rights.

Articles 62 and A13 (Period for Damages Recovery)

The Sections suggest that Articles 62 and A13 be revised to provide for 6 years of damages in all cases. In addition, we suggest clarification in Article A13 regarding the circumstances permitting compulsory licenses to infringers and the terms and conditions of such licenses.

Article 63 (Exceptions to Infringement)

The Sections suggest limiting the parallel imports authorized in the proposed amendment to Article 63(1) to exports from nations where the product in question is placed in circulation under the protection of a patent. We also suggest a narrower scope for the exception of proposed Article 63(4) for scientific research and experimentation as it may be abused.

The Sections support the express adoption of a *Bolar*-style exception in Article 63(5) for the purpose of administrative review of drugs and medical equipment.

Article 65 (Usurper Application)

The Sections suggest that, where an application has been filed by a person who is not entitled to do so, or a patent has been granted to a person who is not entitled to obtain the patent, the court should have power to order a transfer of the application or patent, respectively, to the rightful applicant or owner.

Researching Guide §2.1.3 (Adaptation to Patent Law Treaty)

The Sections recognize that the proposed amendments do not address the 2000 Patent Law Treaty (“PLT”). Nonetheless, since the topic was discussed in the Researching Guide, and in the event the topic is raised later in the consideration of amendments, we take this opportunity to express our support of adaptation of the Patent Law to the PLT, by: (a) conforming the Patent Law and Regulations to the provisions of the PLT; and (b) ratifying the PLT.

Researching Guide §2.3.3 (Indirect Infringement)

The Sections recognize that the proposed amendments do not address indirect infringement. Nonetheless, since the topic was discussed in the Researching Guide, and in the event the topic is raised later in the consideration of amendments, we take this opportunity to suggest that the Patent Law should provide that: (a) whoever actively induces infringement of a patent shall be liable as an infringer; and (b) whoever contributorily infringes a patent shall be liable as an infringer; so that (c) whoever offers to sell or sells within the People's Republic of China or imports into the People's Republic of China a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.

Researching Guide §2.3.6 (Building Uniform Patent or IPR Court of Appeals)

The Sections recognize that the proposed amendments do not address the establishment of a uniform IPR court of appeals. Nonetheless, since the topic was discussed in the Researching Guide, and in the event the topic is raised later in the consideration of amendments, we take this opportunity to suggest that it would substantially strengthen China’s patent law system to establish a single national court of appeals to which all appeals from decisions of the court of the first instance or administrative bodies regarding patent invalidation and infringement are to be made, with any and all appeals from such single national court to be heard by the Supreme People’s Court.

Researching Guide §2.4.4 (Relationship between National Mandatory Standards and Patents)

The Sections recognize that the proposed amendments do not address the relationship between national mandatory standards and patents. Nonetheless, since the topic was discussed in the Researching Guide, and in the event the topic is raised later in the consideration of amendments, we take this opportunity to support SIPO’s apparent

decision not impose a limitation on patent rights for technologies implicated in a national mandatory standard.

DISCUSSION

Article 2 (Definitions)

Proposed Amendment¹

In this Law, “inventions-creations” mean inventions, utility models and designs.

“Invention” means any new technical solution relating to a product, a process or improvement thereof.

“Utility model” means any new technical solution relating to the shape, structure, or their combination, of a product, which is fit for practical use.

“Design” means any new design of the shape, pattern, or their combination and the combination of color and shape or pattern, of a product, which creates an aesthetic feeling and is fit for industrial application

Sections’ Comment

The Sections support the inclusion in the Patent Law of definitions of fundamental terms and suggest that the definition of “invention” be revised to read: “‘Invention’ means any new product, manufacture, machine, process, composition of matter, or improvement thereof.” We also suggest that the reference to “structure” in the definition of utility model be revised to read “physical structure,” and the phrase “of a product,” be deleted from the definition of “design.” Therefore, the Sections suggest that Article 2 be amended to read:

“Invention” means any new ~~technical solution relating to a product,~~ manufacture, machine, a process, composition of matter, or improvement thereof.

“Utility model” means any new technical solution relating to the shape, physical structure, or their combination, of a product, which is fit for practical use.

¹ The double-underlined text in the quoted amendments indicates new text proposed in the Draft Amendments to the current law. The struck-through text indicates proposed deletions from the current law.

“Design” means any new design of the shape, pattern, or their combination and the combination of color and shape or pattern, ~~of a product,~~ which creates an aesthetic feeling and is fit for industrial application.

Discussion

The Sections support SIPO’s decision to amend Article 2 by defining the terms “invention,” “utility model,” and “design.” If properly crafted, these definitions will improve legal certainty for inventors by removing doubts about the proper scope of these key terms in the Patent Law.

We are concerned, however, that the phrase “new technical solution” (or translated as “scheme”), on which the definition of “invention” is based, will not provide the type of legal certainty that SIPO seeks and that inventors in China need. The adjective “technical” is difficult to define and can cause controversies in defining the patentability of computer programs. The noun “solution” (or “scheme”) in this context is particularly troubling, as this is not a term of art in the patent laws of most nations, or in the major patent law treaties. Given the confusion arising from translations, we understand that the original Chinese amendment was intended to say that the invention refers to a constructed idea for products, methods and improvements.

The Sections therefore would suggest that the definition of invention be revised to read as follows:

“Invention” means any new product, manufacture, machine, process, composition of matter, or improvement thereof.

This terminology is consistent with the definition of “invention” set forth in the U.S. Patent Act. This definition has proven to be conceptually solid and to provide clear guidance to inventors filing for patent protection in the United States. We believe it would provide similarly clear guidance to inventors seeking protection under China’s Patent Law.

The Sections also recommend that the term “structure” in the definition of “utility model” be revised to read “physical structure,” to remove any doubt that only physical structures (and not, for instance, the structure of a novel) are eligible for patent protection as a utility model under China’s Patent Law.

With respect to the definition of a “design,” the Sections suggest deletion of the “product” requirement, because we understand that the requirement has caused at least two problems:

(1) Broken lines are not allowed in China, because only “products” not “portions of products” are patentable under the definition of “design”.

(2) When determining if two products or two designs belong to the same or similar category, the Patent Office often looks at the Locarno Classification of Designs. If the products or designs do not belong to the same big class, there is a strong likelihood that they are considered not the same or similar.

Article 5 (No Grants of Patents Against Public Order)

Proposed Amendment

No patent right shall be granted for any invention-creation that violates the laws of the State or social morality or that is detrimental to public interest.

The invention-creations that violate the laws of the State referred to in the preceding paragraph of this Article do not include the invention-creations only the exploitation of which is prohibited under the laws of the State.

Sections' Comment

The Sections suggest replacing the first use of the phrase “the laws of the State” in the new second paragraph to Article 5 with the phrase “public order” so that the phrase will be “invention-creation the exploitation of which would be harmful to public order” or similar language, for closer agreement with Article 27(2) of the TRIPS Agreement, and to remove the apparent inconsistency in the present text.

Discussion

We support the intent to clarify Article 5. However, in our view, the proposed amendments to Article 5 could give rise to confusion. As revised, Article 5 provides that an invention-creation that “violates the laws of the State” is excluded from patent protection, but that an invention-creation “only the exploitation of which is prohibited under the laws of the State” is not excluded from patent protection. It is not clear on the face of the proposed amendment, however, what distinction these two phrases are intended to indicate.

The explanatory notes state that Article 5 as amended is derived from Article 27(3) of the TRIPS Agreement. TRIPS in fact allows WTO Members to exclude from patentability inventions the exploitation of which is contrary to *ordre public*, but provides that an invention may not be excluded “merely because the exploitation is prohibited by ... law.” The TRIPS negotiators thought it was necessary to add this final exception to address the situation where the invention in itself does not pose a threat to public order or security, but where it cannot be legally exploited for separate reasons -- for instance, where

the invention is subject to regulatory approval before it can lawfully be placed on the market.

To ensure that this same distinction is reflected in the Patent Law, we respectfully suggest that the phrase “invention-creation that violates the laws of the State” in the first paragraph of Article 5, and at the beginning of the new second paragraph, be amended to “invention-creation the exploitation of which would be harmful to public order” or similar language. In our view, such a change would be more consistent with Article 27(3) of the TRIPS Agreement and would remove the apparent inconsistency in the present text.

Article 6 (Ownership of In-Service Inventions)

Proposed Amendment

An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the technical secrets of the entity is a service invention-creation.

In respect of an invention-creation made by a person using materials and technical means other than said technical secrets, of an entity to which he belongs, where the entity and the inventor or creator have entered into an agreement on the right to apply for and own a patent, such an agreement shall apply; if no agreement has been made, the invention-creation is a non-service invention-creation, but the entity has the right to exploit the invention-creation in a non-exclusive and non-transferable manner.

For a service invention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee. For a non-service invention-creation, the right to apply for a patent belongs to the inventor or creator. After the application is approved, the inventor or creator shall be the patentee.

Sections' Comment

The Sections suggest that Article 6 be revised to remove any suggestion that (1) both the employer's materials *and* technical means must be used by an employee for the employer to have any rights in such an invention, and (2) the employer has rights to any invention by an employee regardless of whether the invention was related to the employer's business or the scope of the employee's work.

We therefore suggest that Article 6 be revised to read in its entirety as follows:

An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the technical secrets or materials of the entity, is a service invention-creation. Invention-creations that are not service invention-creations are non-service invention-creations.

~~In respect of an invention creation made by a person using materials and technical means other than said technical secrets, of an entity and the inventor or creator have entered into an agreement on the right to apply for and own a patent, such an agreement shall apply; if no agreement has been made, the invention creation is a non service invention creation, bu the entity has the right to exploit the invention creation in a non-exclusive and non-transferable manner.~~

Where the entity and the inventor have a written agreement concerning the right to apply for and own a patent for non-service invention-creations, the agreement controls. In the absence of a written agreement to the contrary, if the non-service invention-creation is made using materials of the entity, or technical means of the entity, or even without using materials or technical means nonetheless relates to the entity's business, then the entity has the right freely to exploit the invention-creation in a non-exclusive and non-transferable manner.

For a service invention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee. For a non-service invention-creation, the right to apply for a patent belongs to the inventor, or creator. After the application is approved, the inventor or creator shall be the patentee.

Discussion

Society receives no benefit from innovation and invention unless the new development is made available. In order to encourage the availability of new technology, an incentive to commercialize should be provided to the owners of the technology and its concomitant IP. Patents offer protection of new developments by granting for a limited time a right to exclude others taking advantage of the development; that right to exclude alone does not necessarily motivate the patent holder to make the innovation available (in fact, many patents are never commercialized).

The Sections suggest that ownership of patents should be placed in the possession of parties with an incentive to commercialize the inventions, thereby raising the likelihood that the benefits of the developments will be made available to society. We also support the general principle that ownership of IP be held by the creator, who may assign the rights by contract, including prospective assignment of future developments.

In its current form, Article 6 provides that an employee must use both the employer's materials *and* the employer's means for an employer to have any legally cognizable interest in the resulting invention. Generally, the use of *either* the tools *or* the materials of the employer are sufficient to extend to the employer a right to use an employee's invention, *provided* the invention relates to the employer's business. Moreover, the employer's right to exploit the invention should be limited to the employer's business; the employer should not be enabled to establish an entirely new line of business based on the invention.

Additional minor amendments are also suggested to harmonize Article 6 with generally accepted notions of when the employer may use the invention of an employee where the employee is not otherwise under an obligation to assign the invention to the employer.

Accordingly, the Sections suggest these revisions to second paragraph of Article 6.

Article 9 (One Patent for One Invention)

Proposed Amendment

For any identical invention-creation, only one patent right shall be granted.

Where two or more applicants file applications for patent for the identical invention-creation, the patent right shall be granted to the applicant whose application was filed first.

Sections' Comment

The Sections suggest that an invention patent and a utility model patent of identical scope should not be allowed, but an invention patent and utility model that overlap or are complementary may be beneficial and therefore should be allowed.

The Sections believe that the problems that in some cases are arising from concurrent invention patent and utility model protection will be greatly reduced if, as proposed in the Sections' comments on Article 40 below, substantive examination, or at least a compulsory official search, is introduced for utility model applications.

Discussion

The Sections support SIPO's view that specific rules need to be set for the case where an applicant applies for a utility model (UM) patent and an invention patent for the same or overlapping inventions. The Sections believe that related invention patents and UMs can usefully coexist. For example, a patent owner might legitimately wish to obtain a

UM patent for an apparatus and an invention patent for a material or method used to make the apparatus, or a chemical product created by the apparatus (none of which are eligible for UM protection).

Where an invention patent and a UM patent are identical in scope, by contrast, the Sections do not believe there is any good reason for having two distinct rights in force. If, however, if SIPO intends to maintain different standards of non-obviousness for invention patents and UMs, then an invention patent of narrow scope with a 20 year term and a UM patent with a broad scope and a 10 year term could rationally overlap.

The Sections believe that the problems that in some cases are arising from concurrent invention patent and utility model protection will be greatly reduced if, as proposed in the Sections' comments on Article 40 below, substantive examination, or at least a compulsory official search, is introduced for utility model applications.

The Sections note that SIPO intends to address the question in greater detail in the Implementing Regulations. A more detailed discussion of the Sections' opinion is set out in the discussion below relating to Article 10, and the Sections respectfully request that they be given the opportunity to comment further on a draft of the proposed regulations.

Article 10 (Assignment of Right to Apply for Patent)

Proposed Amendment

The right to apply for a patent, the patent application right and the patent right may be assigned.

For any assignment, by a Chinese entity or individual, of the right to apply for a patent, the patent application right or the patent right, to a foreigner, a foreign enterprise or a foreign other organization, relevant formalities must be fulfilled in accordance with provisions of the laws and administrative regulations.

Where patent application right or patent right is assigned, the parties shall conclude a written contract and register it with the Patent Administration Department under the State Council. The Patent Administration Department under the State Council shall announce the registration. The assignment shall take effect as of the date of registration.

Sections' Comment

The Sections support the first paragraph of Article 10 that recognizes agreements by inventors to assign future inventions of non-service inventions and suggest that this be extended to all inventions.

We support the amendment to delete the requirement of Article 10 to obtain approval from a department of the State Council for any assignment, by a Chinese individual or entity, of the right to apply for a patent, or of the patent right, to a foreign individual or entity.

Discussion

For privately funded inventions generated inside or outside the employer/employee relationship, the Sections support the provisions in Article 10 whereby the ownership of inventions developed with private funding is subject to negotiation and agreement between the parties, and believe these provisions will encourage the commercialization of worthwhile innovations. The Sections understand that, under Chinese employment practice, it is almost universal to document the employer-employee relationship with a written contract. The inclusion of terms related to ownership of intellectual property developed by the employee may be addressed by the employment agreement.

The Sections support the amendment to delete the requirement of Article 10 to obtain approval from a department of the State Council for any assignment, by a Chinese individual or entity, of the right to apply for a patent, or of the patent right, to a foreign individual or entity. The Sections would also respectfully recommend that the “relevant formalities” referenced in the proposed amendment to Article 10 impose as few burdens as possible on foreign entities so as not to deter foreign investment or joint R&D efforts by Chinese and foreign entities. In all events, these “relevant formalities” should not require review or approval by Chinese authorities before the assignment of rights can be finalized.

It is a well-established legal principle that IP rights, including patent rights, are firstly property rights. Article 17 of the China General Principles of Civil Law and Article 137 of the China Supreme People’s Court’s Interpretation of the General Principles of Civil Law clearly state that an owner of a property has the right to own, use, benefit from and dispose of his/her property.

In fact, both the central and local Chinese governments have offered taxes and other incentives to attract multinational corporations to establish research and development centers (R&D centers) in China. In order to retain or attract more research and development activities in China, it is important to guarantee the right and freedom to transfer the intellectual property generated by the R&D centers in China to its foreign investors.

Although there might be antitrust or other considerations to prevent the assignment or transfer of patent rights, in our opinion, such considerations probably should be carefully addressed in other legislation, not the patent law itself. Laws that attempt to be “jack of all trades” may instead be “master of none.”

Article A1 (Multiple Inventors)

Proposed Amendment

Where the right to apply for a patent, patent application right or patent right is shared by two or more entities or individuals, the following acts shall be agreed upon by all co-owners, unless agreed upon otherwise:

(1). assigning the right to apply for a patent or the patent application right;

(2). assigning or pledging the patent right; and

(3). licensing others to exploit the patent.

Where the patent right is shared by two or more entities or individuals, any co-owner may exploit the patent alone, unless agreed upon otherwise.

Sections' Comment

The Sections respectfully submit that the phrase “一个以上...” be used, instead of “两个以上单位或者个人” to fully reflect the apparent intent of the drafters.

Discussion

The Chinese text for two or more entities or individuals is “两个以上单位或者个人。” The literal translation for “两个以上” is “more than two.” However, based upon the Explanatory Notes, it appears that the intent is to say “more than one,” especially as there is no reason to treat two inventors the same as one inventor and differently than more than two inventors. Therefore, it is suggested that this phrase be amended to “一个以上.”

The Sections note that the same phrase “两个以上” appears in Articles 8 and 9 at least, and suggest that it be similarly amended everywhere in the Patent Law.

Article 14 (Government-Funded Inventions)

Proposed Amendment

For an invention-creation which is completed under a scientific research project with government investment, the right to apply for a patent belongs to the entity undertaking the projects.

Where the invention-creation in the preceding paragraph is of great significance to the interest of the State or to the public interest, the competent departments concerned under the State Council and the people's governments of provinces, autonomous regions or municipalities directly under the Central Government may, after approval by the State Council, decide that the patented invention be spread and applied within the approved limits, and allow designated entities to exploit that invention. The exploiting entity shall, according to the regulations of the State, pay a fee for exploitation to the patentee.

Sections' Comment

The Sections support the proposed amendment to enable the entity undertaking projects funded by the government to apply for patents on invention-creations developed in those projects.

Discussion

The Sections believe that, for publicly funded inventions, an approach similar to the very successful Bayh-Dole Act of the United States, whereby the institution (usually a university or other research organization) developing the invention may license the invention to others for commercialization and retain royalties from the commercialization, may have a similar beneficial effect in China and encourage greater availability of inventions. We therefore believe that the proposed amendment of Article 14 will make it more likely that inventions will be patented, and more likely that such publicly-funded inventions will be licensed to entities that have the expertise and resources to develop the invention into commercially successful products.

Article 16 (Requirement of Compensation for In-Service Inventions)

Article 16

The entity that is granted a patent right shall award to the inventor or creator of a service invention-creation a reward and, upon exploitation of the patented invention-creation, shall pay the inventor or creator a reasonable remuneration based on the extent of spreading and application and the economic benefits yielded.

Sections' Comment

While the Sections recognize that SIPO has not proposed amendments to this article, we respectfully suggest that SIPO, as it moves forward in this process, delete this article from the Patent Law.

Discussion

In the private-sector employer/employee relationship, employers have an incentive to recognize and reward inventors for their contributions to a patentable invention. However, the form such incentives should take -- and whether to provide financial incentives at all -- will vary greatly depending on the context.

Accordingly, the Sections believe that the Patent Law should not impose a mandatory compensation mechanism upon employers with respect to their employee-inventors. Programs that single out inventors for compensation for inventions do not address significant contributions from other functions which may contribute as much, or more, to commercial success, *e.g.*, product development, marketing, manufacturing, sales, etc.

Although the German inventor compensation system provides a sum of money which must be paid to inventors (and which must be divided among inventors if there are more than one), experience shows that such a system discourages communication among scientists because the total financial prize must be shared if there is more than one inventor, thereby inhibiting, rather than promoting, invention.

In the instance of government-funded research under a program similar to a Bayh-Dole Act, the Sections suggest that SIPO consider a requirement that some portion of royalty revenue be shared with the inventor. In contrast to the privately-funded employer/employee invention, commercialization by the publicly-funded research organization is limited to royalties; thus the inventor's contribution may more readily be quantified. The portion of royalty revenue shared with the inventors in the case of a government-funded invention may be set by law or regulation, or by the funding agency.

Article 19 (Appointment of Patent Agents)

Proposed Amendment

Where any foreigner, foreign enterprise or other foreign organization having no habitual residence or business office in China applies for a patent, or has other patent matters to attend to, in China, it or he shall appoint a patent agency approved by the Patent Administration Department Under the State Council to act as his or its agent.

Where any Chinese entity or individual applies for a patent or has other patent matters to attend to in the country, it or he may appoint a patent agency approved by the Patent Administration Department under the State Council to act as its or his agent.

The patent agency shall comply with the provisions of laws and administrative regulations, and handle patent applications and other patent matters according to the instructions of its clients. In respect of the contents of its clients' inventions-creations, except for those that have been published or announced, the agency shall bear the responsibility of keeping them confidential. The administrative regulations governing the patent agency shall be formulated by the State Council.

Sections' Comment

The Sections support the amendment of Article 19 that allows all properly established Chinese patent agencies to represent foreign patent applicants. We suggest that, under the National Treatment principle of the TRIPS Agreement, the Patent Law be amended to allow foreign patent applicants to use a patent agency or file the application directly themselves. The Sections also believe that it would reduce transaction costs and encourage Chinese domestic companies to obtain patent rights in overseas markets, to delete the requirement to use a patent agency designated by the patent administration department, provided that where an invention/creation relates to state secrets subject to Article 4, the department may forbid the use of a patent agency not qualified to handle state secrets.

Discussion

The Sections support the amendment of Article 19 that allows all properly established Chinese patent agencies to represent foreign patent applicants. However, we noticed that Article 19, first paragraph, still requires a foreign individual or entity to appoint an approved Chinese patent agency, if such foreign individual or entity does not have a habitual residence or business office in China. Article 3 of the TRIPS Agreement provides that "Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property...." A footnote to Article 3 expressly states that the term "protection" in this provision "shall include matters affecting the availability, *acquisition*, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement" (emphasis added). Because Article 19 imposes burdens on foreign inventors with regard to the acquisition of patents that are not imposed on Chinese inventors, this differential treatment is arguably inconsistent with Article 3 of TRIPS. The revisions proposed by the Sections would address this concern.

The Sections' proposal is also consistent with U.S. treatment of Chinese and other non-U.S. inventors. Under U.S. Patent Law, a foreign applicant may file and prosecute his or her own application or may be represented by an attorney or agent (37 CFR §1.31). The Sections believe that if China's Patent Law is amended to allow foreign patent applicants to use a patent agency or file the application directly by itself, it will fully demonstrate the equal treatment of the foreign and Chinese domestic applicants.

In addition, the relevant part of the explanatory note of the amendment (Section IV, Point 10) indicates that "The amendment to this article (Article 19) is mainly to change the requirement that a foreigner *shall* appoint a foreign-related patent agency under 1st paragraph (of this article) to the provision that (a foreigner) *may* appoint any patent agency (to handle patent applications)." (Emphasis added.) However, in the draft of the proposed amendment, the term "shall" remains and has not been replaced by "may", which still imparts a mandatory requirement. It would be better legislative drafting to further amend Article 19 to fully reflect the intent expressed in the Explanatory Notes.

Articles 20 and 64 (Applications for Inventions Made in China)

Proposed Amendments

Article 20

Where any entity or individual intends to file an application in a foreign country for a patent for invention-creation made in China, it or he shall file first an application for patent with the Patent Administration Department under the State Council, and comply with the provisions of Article 4 of this Law.

Any Chinese entity or individual may file an international application for patent in accordance with any international treaty concerned to which China is party. The applicant filing an international application for patent shall comply with the provisions of the preceding paragraph.

The Patent Administration Department under the State Council shall handle any international application for patent in accordance with the international treaty concerned to which China is party, this Law and the relevant regulations of the State Council.

Article 64

Where any entity or individual, in violation of the provisions of Article 20 of this Law, files first in a foreign country an application for a patent for invention-creation that is completed in China, no patent right shall be granted for the patent application for said invention-creation filed in China

by it or him; where the secret of the State is divulged, the person concerned shall be prosecuted for his legal liability.

Sections' Comment

The Sections support the amendment of Articles 20 and 64 to delete the requirement to use a designated Chinese patent agency in filing patent applications in foreign countries. We suggest that the Patent Law be revised to allow an applicant to obtain a license to file a patent application outside the PRC before filing for a patent within the PRC for an invention made in China.

Discussion

While it is common among patent laws of different countries to require first filing of the patent application for an invention made within such countries, the requirement to use an approved patent agency to handle the foreign patent application conflicts with the practices of many patent applicants, especially the in-house patent departments of multinational corporations. As recognized by the Patent Law (Article 19, second paragraph), a Chinese entity or individual may choose to use a patent agent or directly file the patent application itself. In addition, filing a patent application in a foreign country requires the knowledge and expertise of the foreign patent law. A designated Chinese patent agency certainly does not have such expertise. In practice, the Chinese patent agency usually employs a foreign patent agency to file the application, which increases the cost for the Chinese applicants. Therefore, the Sections support the amendment of Article 20 that gives the patent applicant the freedom to choose any patent agency or file the application by itself in a foreign country as long as the first application is properly filed in China and in compliance with the state secrecy requirement of Article 4.

In addition, Article 20 requires an applicant whose invention-creation was made in China to file a patent application in China before filing in any foreign country. Article 64 provides refusal of a patent in China as an automatic penalty for a breach of that requirement.

In practice, however, inventions are frequently made by multiple inventors, who may be subject to the laws of different countries. If an invention-creation is made partly in China and partly in another country with a law similar to Article 20, the applicant is placed in an impossible dilemma, because the applicant is required to file in each country before filing in the other country. Also, a breach of Article 20 may result from misunderstanding or inadvertence, which frequently occurs in inventions involving multiple inventors and applicants, in different countries. Automatic refusal of the patent in China is then an unduly harsh penalty.

From our experience, the Sections suggest two measures to moderate the effect of Articles 20 and 64. First, the applicant in China should be allowed to obtain permission to file a first patent application outside China, after review of the draft application to ensure

that no State secrets are involved. Second, such permission should be granted retrospectively, where the applicant in China shows that a violation of Article 20 occurred through error, without intent to evade Article 20, and did not disclose State secrets. These or similar provisions have been used in other countries, including for example the U.S.A. and the U.K., for many years and have been found to be both practical and effective.

Article 22 (Standards for Invention and Utility Model Patents)

Proposed Amendment

Any invention or utility model for which patent right may be granted must possess novelty, inventiveness and practical applicability.

Novelty means that, the invention or utility model does not belong to the prior art, nor has any other person filed previously with the Patent Administration Department under the State Council an application which described the identical invention or utility model and was published in patent application documents or announced in patent documents after the said date of filing.

Inventiveness means that, as compared with the prior art before the date of filing, the invention has prominent substantive features and represents a notable progress for a person skilled in the relevant field of technology and that the utility model has substantive features and represents progress for a person skilled in the relevant field of technology.

Practical applicability means that the invention or utility model can be made or used and can produce effective results.

The prior art referred to in this Law means any technology known to the public by way of public disclosure in publications, public use or any other means in the country or abroad, before the date of filing.

Sections' Comment

The Sections support SIPO's decision to amend Article 22 to adopt a unitary absolute novelty standard -- that is, to define novelty as a public disclosure anywhere in the world, not just in China. We support the amendment to define novelty and inventiveness in a manner consistent with other international patent treaties, such as the European Patent Convention. However, the Sections suggest that SIPO consider the full implications of the broad definition of prior art under this article to include any technology known to the public by “. . . any other means in the country or abroad” before the date of filing.

For the reasons presented below, the Sections also respectfully suggest that Article 22 be further amended to:

- a) Place the burden on the patent examiner to establish, by specific reference to prior art, the basis of assertions that an invention as claimed is not novel or not inventive.
- b) Define anticipation of a claimed invention as established by the specific identification of all claim elements in one prior art reference.
- c) Provide that lack of invention be established by the identification of all claim elements in fairly combined prior art references considered as a whole, with a reasoned statement by the examiner supporting the combination of references.
- d) Delete the phrase “inventiveness means that, as compared with prior art before the date of filing the invention has prominent substantive features and represents a notable progress.”
- e) Read as to an invention patent: “The applicant shall receive a patent for the properly claimed invention unless the examiner establishes by specifically identified prior art that all claim elements occur in one prior art reference, or by a reasoned statement supporting the combination of two or more fairly combined prior art references, considered as a whole, to show all claim elements.”

We suggest that Article 22(3) should remain unchanged as to utility models.

DISCUSSION

The Sections welcome SIPO’s proposal to amend Article 22 to adopt a unitary absolute novelty standard. The current version of Article 22 identifies novelty defeating prior art as a publication anywhere or manufacture or use *in China*. The trend in modern patent systems is to remove such geographic restrictions as to novelty. For example, manufacture or use anywhere in the world will defeat novelty before the European Patent Office. SIPO’s decision to remove the geographic restrictions with respect to use or manufacture will move China into step with global trends.

The Sections also respectfully recommend that SIPO consider certain additional changes to Article 22. First, Article 22 does not expressly establish who bears the burden of proof for establishing whether the technology is novel as compared to the prior art. Under current practice, the burden is placed upon the applicant that no manufacture or use exists elsewhere in China. This is an essentially impossible task as it requires the applicant to prove a negative. The Sections suggest that the better practice is for the burden to be

expressly placed upon SIPO to establish that a patent application is not novel or inventive by proving that there has been use or manufacture somewhere in the world.

With respect to inventiveness, Article 22 (3) does not provide an objective standard for the examiner to establish anticipation. Article 22(3) provides: “inventiveness means that, as compared with the technology existing before the date of filing the invention has prominent substantive features and represents a notable progress . . .” SIPO examiners in practice reject claims without identification of relevant prior art that teaches or suggests the invention as claimed, making it impractical, if not impossible, for applicants to respond to such a rejection.

Article 22(3) should therefore be amended, or clarified by rule, to require that SIPO examiners identify by specific reference portions of prior art relied upon, so that claims may not be asserted to be anticipated or obvious unless a basis is found and prior art is specifically identified. In addition, a combination of references by the examiners should be expressly rebuttable, by demonstrating inconsistent content in the applied references (so that there is consideration of the references “as a whole”).

Moreover, the requirement of Article 22 for “prominent substantive features” is in practice cited by Examiners as a basis to cause applicants to add limitations to otherwise novel and inventive claims, while the requirement that the application “represents notable progress” makes no contribution to the patenting process, and provides opportunity for abuse by Examiners by denying patents on the basis of vague and ambiguous reasons. Therefore, Article 22 should be amended to delete such language. Specifically, the Sections recommend that Article 22 be amended to read, in terms similar to those in Article 56 of the European Patent Convention, as suggested above.

Article 23 (Standards for Design Patents)

Proposed Amendments

Any design for which patent right may be granted must not belong to the prior design, nor has any other person filed previously with the Patent Administration Department under the State Council an application which described the identical design and was published after the said date of filing, and for a designer in the relevant field of technology, the design is substantively different from the prior design or a combination of the features of the prior design.

Any design for which patent right may be granted must not be in conflict with any prior right of any other person.

The prior design referred to in this Law refers to any design known to the public by way of public disclosure in publications, public use or any other means in this country or abroad, before the date of filing.

Sections' Comment

The Sections support a new level of invention, beyond novelty, for design patents. The Sections suggest that the novelty standard for design patents be the same as for technology patents. We also suggest that an objective standard for determining the required level of invention, or non-obviousness, be considered for the design patent system, and urge a clarification of Article 23(1) as to the meaning of the text “or a combination of the features of the prior design.”. The current design patent law grants the design right without novelty examination, subject to post grant cancellation. This approach is consistent with systems in many other countries, and the Sections see no compelling reason to change it. The procedures concerning use and interpretation of drawings using broken lines in design patents, should be reviewed in relation to standards in other countries, with the goal of achieving further harmonization in design patent procedures concerning interpretation of design patent drawings.

We support the amendment to Article 23(3) as it would prevent others from obtain protection in China for designs in public use or publicly known outside China, thus substantially eliminating the squatting problem.

Discussion

If China decides to use an absolute novelty standard for technology patents, the benefit from uniformity would suggest that the same absolute novelty standard should apply to design patents. Some countries have used a separate novelty standard for design patents, such as in the European Union Community Design Regulation, to encourage national design creation, and the current Chinese design patent law does use a national standard, where a design that is not in public use or disclosed in China is not prior art.

The problem experienced with foreign design owners, for designs known or in use outside China, that are registered by others in China, is called design squatting. The proposed changes in Article 23 would prevent others from obtaining protection in China for designs in public use or publicly known outside China. The proposed change would substantially eliminate the squatting problem.

The Sections suggest that an objective standard for determining the required level of invention, or non-obviousness, be considered for China's design patent system. An objective standard for invention could be a general standard applied to technology patents and design patents. This standard would offer the benefit of a more predictable determination of patent validity. One approach is the one now used in the U. S., which is the motivation test that requires the prior art to teach to one skilled in the art the combination of the cited references.

In all events, Article 23 needs to be clarified, as to the meaning of the text “or a combination of the features of the prior design.” It could create considerable confusion on

how novelty would be determined. The Sections suggest that this test be linked to the “inventiveness” requirement in Article 22, requiring this determination to be made by the person skilled in the relevant technology. At present, this link may not be clear.

The current law grants the design right without novelty examination, subject to post grant cancellation. This approach is consistent with systems in many other countries.

There are benefits from the predetermination of novelty before grant, and there are costs. Many countries in Europe register designs without preregistration novelty examination. Other countries provide novelty examination before registration. The choice of a non-novelty examination system is less expensive, grants rights sooner and conserves government resources initially. The lack of novelty examination does lead to complex design rights determinations that the Patent Office must make. On the other hand, novelty examination before registration provides more certainty in the validity of registered designs, but there is considerable cost in determining novelty at this stage, for all filed design patent applications.

Article 24 (Grace Period)

Proposed Amendment

Where an invention-creation for which a patent is applied for was disclosed within six months before the date of filing in one of the following events, said event does not constitute a prior art or prior design referred to in this Law for the said patent application:

- (1) where it was first exhibited at an international exhibition sponsored or recognized by the Chinese Government;
- (2) where it was first made public at a prescribed academic or technological meeting;
- (3) where it was disclosed by any person without the consent of the applicant.

Sections’ Comment

For the reasons presented below, the Sections suggest that the Patent Law be amended to adopt a 12-month broad grace period for novelty; specifically, to permit a 12-month period, prior to the first patent filing (including a priority filing in another jurisdiction), during which disclosures by or derived from the inventor would not impact patentability.

Discussion

The six-month grace period of Chinese law is in contrast to the 12-month period favored by harmonization efforts. The adoption of a uniform, worldwide 12-month grace period is of particular importance in the ongoing Substantive Patent Law Treaty negotiations. Article 9 of the Substantive Patent Law Treaty, as presently being considered, would provide a grace period of 12 months preceding the priority date if the disclosure was by the inventor, was by an inadvertent publication from a patent office, or was published without the consent of the inventor by a third party who obtained the information directly or indirectly from the inventor. In 2004, the Trilateral Patent Offices (U.S. PTO, EPO and Japan PTO), proposed that the adoption of an international grace period be a subject of initial focus for negotiations.

Thus, adoption of a 12-month grace period in China would be an important move towards greater harmonization of patent laws worldwide. The adoption of a uniform grace period would improve uniformity and predictability of patent laws worldwide, and thus would be an important advance to patentees and the public.

Article 25 (Non-patentable subject matter)

Proposed Amendment

For any of the following, no patent right shall be granted:

- (1) scientific discoveries;
- (2) rules and methods for mental activities;
- (3) methods for the diagnosis, for the treatment or for the surgical operation on human or animal bodies;
- (4) animal and plant varieties;
- (5) substances obtained by means of nuclear transformation;
- (6) two-dimensional printed matter whose pattern design functions as a sign only.

For processes used in producing products referred to in items (4) of the preceding paragraph, patent right may be granted in accordance with the provisions of this Law.

Sections' Comment

The Sections do not express a view on the proposed amendments to Article 25. However, for the reasons presented below, the Sections suggest that SIPO consider the following proposals as it evaluates additional revisions to the Patent Law:

- a) SIPO should consider amendments – either to the Patent Law itself, or to its

implementing regulations and examination guidelines – that clarify that inventions implemented in computer software fall within the scope of patentable subject matter so long as the invention as claimed achieves a useful, concrete result.

- b) SIPO should eliminate the requirement that software must use a technical means, solve a technical problem, and achieve a technical result, in order to fall within the scope of patentable subject matter.
- c) SIPO should extend patent protection to new, useful, and non-obvious non-human multicellular organisms, including plants and non-human animals.

Discussion

1. Computer programs

Inventions implemented in computer software have had a dramatic impact on countless fields of technology and generated substantial benefits across many different sectors of the economy. Software-based technologies are fueling remarkable changes in such diverse areas as telecommunications, financial services, healthcare, transportation, manufacturing, and many others. These changes are spurring productivity and efficiency gains across the global economy. The availability of patent protection for software-based technologies can provide important economic incentives for software developers to invent new, useful applications for software.

However, under current practice in China, to be patentable, inventions implemented in computer software *must* use a technical means, solve a technical problem, and achieve a technical effect (in addition to satisfy the other legal requirements for patentability). As discussed above with respect to proposed Article 2 of the Patent Law, the meaning of the term “technical” is legally uncertain. The Sections respectfully suggest the “technical” requirement be deleted from Article 2 of the PRC Patent Law, and not be considered during the examination of computer software inventions. Moreover, applications for software programs that are claimed as recorded on a carrier medium are denied patentability, even though the method employed by the recorded software program is patentable. The Sections urge SIPO to reconsider this practice.

As SIPO evaluates possible changes to its current rules and practices regarding the patentability of software, the Sections respectfully suggest that U.S. law might provide a useful framework for consideration. Under U.S. law, the patentability of a computer-related invention does not depend on formal considerations such as whether the invention is or is not implemented in computer software, or uncertain legal grounds such as whether the invention achieves or does not achieves a “technical” result, but rather on whether the invention as claimed is applied in such a way that it achieves a practical, useful result.

The starting point for this analysis is Section 101 of the U.S. Patent Act, which sets

out the parameters of patentable subject matter under U.S. law. Section 101 provides that patents are available for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof,” so long as the other requirements of the Patent Act are satisfied.² The U.S. Supreme Court has held that this language demonstrates Congress’s intent to extend the scope of section 101 to “anything under the sun that is made by man.”³

Despite this broad language, the Supreme Court has identified three categories of subject matter that are not eligible for patent protection – specifically, laws of nature, natural phenomena, and abstract ideas.⁴ The Court has also held that mathematical algorithms, to the extent they are merely abstract ideas, are not patentable subject matter.⁵ Where, by contrast, an invention applies a mathematical algorithm to achieve a useful, practical result, it falls within the scope of section 101 and is therefore patentable.⁶

Computer programs may be viewed as comprised of a series of mathematical algorithms. Accordingly, whether an invention implemented in computer software falls within the scope of patentable subject matter under U.S. law will turn whether the software is applied to achieve “a useful, concrete, and tangible result.”⁷ Thus, for instance, a computer program that transforms signals from a patient’s heartbeat into data indicating the condition of the heart would normally constitute patentable subject matter because it achieves a useful, concrete result — namely, providing information about the patient’s cardiovascular health.⁸ Where, by contrast, a patent application for an invention implemented in computer software merely describes a series of functions in the abstract, but does not indicate a practical application for the invention, it normally would not be eligible for patent protection.⁹

In the Sections’ view, this analytic framework establishes the appropriate demarcation between patentable inventions and unpatentable abstract ideas. In some sense, virtually every inventive process involves an algorithm, in that such processes describe a series of steps taken to solve a specific problem or achieve a specific result. While extending patent protection to mathematical algorithms in the abstract would hamper technological innovation by preventing inventors from developing new, practical uses of the algorithm, denying patent protection altogether to such algorithms, including algorithms expressed in computer software, would deter inventors from investing in developing new, useful computer programs to solve practical, concrete problems.

² See 35 U.S.C. § 101.

³ *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980).

⁴ *Diamond v. Diehr*, 450 U.S. 175, 185 (1981).

⁵ See *Diehr*, 450 U.S. 175, *passim*.

⁶ *Id.*; *In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994) (*en banc*).

⁷ *In re Alappat*, 33 F.3d at 1544.

⁸ See *Arrhythmia Research Technology Inc. v. Corazonix Corp.*, 958 F.2d 1053 (Fed. Cir. 1992).

⁹ See, e.g., *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999); *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998).

An invention implemented in computer software may be patentable under U.S. law even if it does not result in a physical transformation or other physical effect. While certain Supreme Court and Federal Circuit cases from the 1980s could be read to have imposed such a requirement,¹⁰ more recent cases have explicitly rejected it.¹¹ Any rule that limits patent protection to inventions that result in a “physical transformation” would create an artificial and unwarranted distinction between patentable and unpatentable computer programs, since whether a computer program has a physical effect often will bear no relationship to whether the program as claimed achieves a useful, practical result.

U.S. law also does not require computer software to be incorporated into computer hardware or other device in order to be patentable. So long as the invention achieves a useful result, it will normally constitute patentable subject matter even if is claimed as recorded on a disk or some other form of computer-readable medium.¹² A rule that limits patent protection for computer software to situations in which the software is running on a computer or other device will mean that certain computer programs are denied patent protection even if they have a useful and practical application. Such a limitation also makes it more difficult for inventors to protect their patent rights against third parties who use, make, sell, offer to sell, or import the program on a disk or other recordable medium that is not integrated into a computing device. Preventing inventors of software-based inventions from enforcing their rights in such cases does not, in our view, serve any clear public policy goal, and moreover would effectively discriminate against software-based technologies as compared to other fields of technology that are not subject to this limitation.¹³

China’s patent regime for computer software bears several similarities with U.S. law in this area, but also has some important differences. For instance, although SIPO’s current examination guidelines state that computer programs “as such” constitute “rules and methods for mental activities” and therefore are ineligible for patent protection under Article 25,¹⁴ we understand that patent applications for inventions implemented in computer software are generally granted so long as the invention solves a technical

¹⁰ See, e.g., *Diehr*, at 184. This physical effects requirement is sometimes associated with what is commonly referred to as the “Freeman-Walter-Abele” test. See, e.g., *In re Pardo*, 684 F.2d 912, 915 (CCPA 1982) (citing *In re Abele*, 684 F.2d 902 (CCPA 1982)).

¹¹ See, e.g., *State Street Bank* (“After *Diehr* and *Chakrabarty*, the Freeman-Walter-Abele test has little, if any, applicability to determining the presence of statutory subject matter.”).

¹² See, e.g., *In re Lowry*, 32 F.3d 1579, 1583-84 (Fed. Cir. 1994); USPTO Manual of Patent Examining Procedure § 2106, at 2100-12 (Rev. 3, August 2005) (“When functional descriptive material [e.g., a computer program] is recorded on some computer-readable medium it . . . will be statutory in most cases since use of the technology permits the function of the descriptive material to be realized.”).

¹³ See WTO Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 27.1 (committing WTO members to ensure that “patents shall be available and patent rights enjoyable without discrimination as to . . . the field of technology”).

¹⁴ See SIPO, *Examination Guidelines*, Part II, Chapter 1, Section 3.2. Although we understand that a new version of the Examination Guidelines is set to take effect on July 1, 2006, we have not yet had the opportunity to review an English translation of these new Guidelines.

problem or has a technical effect (in addition to satisfying the other legal requirements for patentability).¹⁵

As China evaluates further revisions to its Patent Law and implementing regulations, we would encourage SIPO to consider amendments that clarify that inventions implemented in computer software fall within the scope of patentable subject matter so long as the invention as claimed achieves a useful, concrete result. This standard would offer a solid basis on which to prevent patents on “rules and methods for mental activities” while ensuring that useful, practical inventions implemented in software are eligible for protection. We believe this standard is consistent with the “practical applicability” requirement set forth in Article 22 of the Patent Law, but believe that clarification of this issue would be helpful.

We also understand, however, that Chinese patent examiners generally deny applications for software programs that are claimed as recorded on a carrier medium, rather than as implemented in a computer.¹⁶ The Sections would also respectfully suggest that SIPO eliminate this requirement. Under the current SIPO approach, the only direct infringers will typically be end-users who have actually installed the software on their computers and executed the software programs. The manufacturers and sellers of computer-readable media (such as CDs and DVDs) that contain the computer software -- although in some sense the more guilty parties -- will generally not be direct infringers under this approach (since they will have not installed and executed the software themselves). Therefore, if claims directed to computer-readable media containing software inventions are not allowed in China, it will be very costly and sometimes extremely difficult to enforce such patents. This is an unjustified burden for the patent holders, and it damages the integrity of the PRC’s patent system as well. Although some of the problems will be ameliorated if the Patent Law adopts provisions on indirect infringement as the Sections suggest in the discussion below of Researching Guide 2.3.3, the difficulty in enforcing indirect infringement remains and it is still desirable to allow claims directed to computer-readable media containing software programs.

In addition, this requirement does not provide a useful guide for determining whether a claimed invention has “practical applicability” or otherwise is consistent with the standards for protection set forth in the Patent Law. Rather, it merely encourages patent applicants to draft less precise claims. By encouraging “artful” claims drafting, this requirement will foster uncertainty for both users and innovators as to the precise scope of claims. This uncertainty creates inefficiency and raises costs, particularly litigation costs. Accordingly, the Sections urge SIPO to allow claims directed to computer-readable medium if the computer software invention contained on the medium fulfills all the patentability requirements under the Patent Law.

¹⁵ *Id.*

¹⁶ See, e.g., WIPO and Ministry of Science and Technology of the People’s Republic of China, *WIPO-MOST Intermediate Training Course on Practical Intellectual Property Issues In Business: Patentability of Computer Software and Business Methods*, at 7 (WIPO/IP/BIS/GE/03/7) (Nov. 7, 2003).

2. Biotechnology Related Inventions and Biological Genetic Technology

The Sections believe that the patenting of non-human multicellular organisms in China would encourage scientific research in China. Therefore, it would be sound public policy for SIPO to expand its definition of patentability to include non-human animals. The exclusion of animals from patentable subject matter in Article 24, however, currently prevents the patenting of genetically modified organisms in China.

The Researching Guide recognized the importance of biotechnology in the development of science and technology. Genetically modified animals are an important element of biotechnology research, and are of increasing importance in drug research. Genetically modified animals have become an essential tool to understand human diseases and disorders.

In view of the importance of genetically modified animals, China will greatly benefit from extending patent protection to non-naturally occurring non-human multicellular organisms. Providing patent protection for genetically modified animals will encourage the development and use of genetically modified animals in China. This will lead to further innovation in Chinese drug research, and in other areas of biotechnology in China which use genetically modified animals. Further, excluding genetically modified animals from patentability in China may discourage foreign companies from conducting research in China.

In the United States, the patentability of genetically modified animals has long been recognized. This has resulted in the advancement of genetically modified animals in the U.S., and widespread use of genetically modified animals for scientific research. The patenting of multicellular organisms in the United States has not led to the patenting of humans.

Article A2 (Denial of Patent Rights to certain inventions dependent on genetic resources)

Proposed Amendment

For an invention-creation, the completion of which depends on acquisition and exploitation of genetic resources, but the acquisition and exploitation of said genetic resources are contrary to relevant laws and regulations of the State, no patent right shall be granted.

Sections' Comment

The Sections suggest that this proposed amendment not be adopted, because it is ambiguous and does not prevent abuses of genetic resources where no patent is filed. Its apparent purposes can be better achieved through the requirements of novelty and inventiveness, and other laws.

Discussion

Proposed Article A2 denies patent rights when the completion of an invention depends on acquisition and exploitation of “genetic resources” that are contrary to relevant laws and regulations of the State. There is no definition of “genetic resources”. Nor is there any indication of when such “genetic resources” are prohibited under State laws/regulations. This provision also does nothing to prevent the acquisition or use of state-controlled genetic resources for which no patent application is filed.

The use of genetic resources can be better regulated through national biodiversity laws and regulations, not through patent law. If purpose of the proposed amendment is to ensure that no patents are granted for inventions that are not patentable over publicly known genetic resources, the provisions regarding novelty and inventiveness should fulfill this purpose. If the purpose is to ensure no “misappropriation” of possibly endangered or otherwise limited genetic resources, there should be provisions that are specifically addressed to those resources over which the government wishes to exert control, and which are otherwise controlled through state laws and/or regulations.

Article 26 (Contents of Application)

Proposed Amendment

Where an application for a patent for invention or utility model is filed, application documents such as a request, a specification and its abstract, and claims shall be submitted.

The request shall state the title of the invention or utility model, the name of the inventor or creator, the name and the address of the applicant and other related matters.

The specification shall set forth the invention or utility model in a manner sufficiently clear and complete so as to enable a person skilled in the relevant field of technology to carry it out; where necessary, drawings are required.

For an invention-creation, the completion of which depends on acquisition and exploitation of genetic resources, the applicant shall point out the origin of said genetic resources in the description.

The abstract of the specification shall state briefly the main technical points of the invention or utility model.

The claims shall be supported by the specification and shall define the extent of the patent protection asked for in a clear and concise manner.

Sections' Comment

The Sections believe that SIPO's proposal, in the draft amendments to Article 26, to require patent applicants whose invention depends on the acquisition and exploitation of genetic resources to disclose the origin of those genetic resources in their patent application, would not be good public policy for the following reasons.

Discussion

Mandatory disclosure of the origin of genetic resources in patent applications is unnecessary, because other amendments to the law are better suited and should prevent the misuse of genetic resources and traditional knowledge to obtain unjustified patents. A properly enforced duty of candor and the requirement for an enabling disclosure of the invention will prevent patent applicants from concealing sources of genes or knowledge, to the extent that this information is actually relevant to patentability or to the applicant's right to a patent, rendering a separate declaration of origin largely duplicative. Under the TRIPS standard, it would not be proper for the PRC to deny patents merely on the ground that the prior art from which the invention starts is a genetic resource gathered from the wild, so that a requirement for a declaration of source is of merely academic interest.

Mandatory disclosure is in many cases not feasible and is overly burdensome. Often the wild origin of the genetic resource will be difficult or impossible to determine. For example, when the patent applicant was not involved in collecting the material from the wild, but merely used material previously collected by others, the applicant may not know the wild origin of the material. As a result, mandatory disclosure discourages research and development by creating an increased risk that researchers will be denied a patent for their work because they are honestly unable to comply with the disclosure requirement.

A disclosure requirement will also increase the workload of the patent office because of the need to verify that disclosure has been made. Mandatory disclosure will disrupt the orderly and efficient working of the patent system. Accepting, and we believe it is generally accepted, that an orderly, efficient and respected patent system is beneficial to the economy, mandatory disclosure will place the PRC at a competitive disadvantage to other countries that do not have mandatory disclosure. If the concern is to ensure no "misappropriation" of possibly endangered or otherwise limited genetic resources, the requirement is overbroad, and should be restricted to such genetic resources and not to all genetic resources.

Articles 27 (Design Applications), 33 (Amendment of Application), and 56 (Explanations of Drawings or Photographs)

Proposed Amendments

Article 27

Where an application for a patent for design is filed, application documents such as a request, drawings or photographs of the design as well as a brief explanation of the design shall be submitted.

Article 33

An applicant may amend his or its application for a patent, but the amendment to the application for a patent for invention or utility model may not go beyond the scope of the disclosure contained in the initial description and claims, and the amendment to the application for a patent for design may not go beyond the scope of the disclosure as shown in the initial drawings or photographs.

Article 56

The extent of protection of the patent right for invention or utility model shall be determined by the terms of the claims. The description and the appended drawings may be used to interpret the claims.

The extent of protection of the patent right for design shall be determined by the product incorporating the patented design as shown in the drawings or photographs. The brief explanation may be used for explaining the drawings or photographs.

Sections' Comment

The Sections suggest that a brief explanation of the design be made an optional part of the design application documents, with the requirement that the drawing be the primary source for interpretation, and an explanation be used when needed. The optional use of a description of the design can be used to state the effect of broken lines in a drawing. In addition, the procedures concerning use and interpretation of drawings using broken lines in design patents, should be reviewed in relation to standards in other countries, with the goal of achieving further harmonization in design patent procedures concerning interpretation of design patent drawings under Articles 33 and 56.

Discussion

There is a growing use of broken lines in design patent drawings. The Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs

permits use of broken lines, and several countries allow the use to determine the scope of a design patent rights. It would be helpful to consider ways to work toward a more harmonized approach. The effect of the current procedures on broken lines is to substantially extend the protection available to Chinese and foreign design owners.

A related consideration is the effect of a mandatory written description requirement for the design, proposed in Article 27, and enforced in Articles 33 and 56. A written description of the design is not a requirement in most design patent systems. It is usually optional. The description does have the effect of limiting and usually not expanding the scope of protection from what is shown in the drawing. For these reasons it is usually considered best practice to let the attorney decide how to best prepare the design patent application, with the requirement of the drawing being the primary source for interpretation, and a description being used when needed.

There is a relation between broken lines used in a drawing and a description of the design. It is common practice in systems using broken lines for the attorney to state what the effect is of the broken lines (the broken lines are not part of the protected design). This description is helpful when a national law is not clear on this point. In this respect, the optional use of a description of the design is preferable, to permit flexibility to adjust to the situation.

Article 29 (Right of Priority)

Article 29

Where, within twelve months from the date on which any applicant first filed in a foreign country an application for a Patent for invention or utility model, or within six months from the date on which any applicant first filed in a foreign country an application for a patent for design, he or it files in China an application for a patent for the same subject matter, he or it may, in accordance with any agreement concluded between the said foreign country and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of mutual recognition of the right of priority, enjoy a right of priority.

Where, within twelve months from the date on which any applicant first filed in China an application for a patent for invention or utility model, he or it files with the Patent Administration Department under the State Council an application for a patent for the same subject matter, he or it may enjoy a right of priority.

Sections' Comment

The Sections suggest that Article 29 be amended to specify that the “right of

priority” gives an earlier effective filing date under Article 22, to conform to international practice.

Discussion

Article 29, following the wording of the Paris Convention, gives “a right of priority” but does not specify what the benefits of the right of priority are. The normal practice worldwide is that the “right of priority” gives an earlier effective filing date for determining what disclosures constitute prior art, but does not give an earlier date for purposes of expiry of the patent. The Sections suggest that the PRC follow that normal practice. Thus, Article 29 should specify that, where the applicant enjoys the right of priority from an earlier application, the filing date of the earlier application is the effective filing date for the purposes of Article 22, but the Article 26 filing date remains the effective filing date for the purposes of Article 42.

Article 31 (Multiple Designs for the Same Product)

Proposed Amendment

An application for a patent for invention or utility model shall be limited to one invention or utility model. Two or more inventions or utility models belonging to a single general inventive concept may be filed as one application.

An application for a patent for design shall be limited to one design incorporated in one product. Two or more similar designs for the same product, or two or more designs which are incorporated in products belonging to the same class and are sold or used in sets may be filed as one application.

Sections’ Comment

The Sections support this amendment, to enable two or more similar designs for the same product to be filed as one application.

Discussion

This amendment will clearly enable efficient and effective review and issuance of valid design patents.

Article 35 (Commencement of Review of Application)

Article 35

Upon the request of the applicant for a patent for invention, made at any time within three years from the date of filing, the Patent Administration Department under the State Council will proceed to examine the application as to its substance. If, without any justified reason, the applicant fails to meet the time limit for requesting examination as to substance, the application shall be deemed to have been withdrawn.

The Patent Administration Department under the State Council may, on its own initiative, proceed to examine any application for a patent for invention as to its substance when it deems it necessary.

Sections' Comment

The Sections suggest the adoption of an accelerated examination procedure under specified circumstances.

Discussion

It would be beneficial to the efficient functioning of the Patent Administration Department, for the Department to have the flexibility to apply accelerated examination procedures where the types of circumstances involved indicate that detailed examination is not necessary.

Article 38 (Rejection of Application)

Article 38

Where, after the applicant has made the observations or amendments, the Patent Administration Department under the State Council finds that the application for a patent for invention is still not in conformity with the provisions of this Law, the application shall be rejected.

Sections' Comment

The Sections suggest adding the following as a last sentence to Article 38: "However, if any new grounds for rejection is raised by the Patent Administration Department, such new grounds of rejection shall be raised with notice provided to the Applicant under Article 37 providing Applicant with an opportunity to respond thereto."

Discussion

Such an amendment will ensure that the Applicant has the opportunity to respond to all the concerns of the Patent Administration Department, so that a situation does not arise in which, after an Applicant has responded to all expressed concerns, the application is rejected on new grounds that the Applicant was not aware of. Such a provision will further due process and equity.

Article 40 (Grant of Utility Model or Design Patent)

Article 40

Where it is found after preliminary examination that there is no cause for rejection of the application for a patent for utility model or design, the Patent Administration Department Under the State Council shall make a decision to grant the patent right for utility model or the patent right for design, issue the relevant patent certificate, and register and announce it. The patent right for utility model or design shall take effect as of the date of the announcement.

Sections' Comment

As to utility model patents, the Sections believe that:

A. it would be beneficial to the public for utility models to be examined for novelty before grant.

B. it would be beneficial to the public, when SIPO resources permit, for utility models to be examined for non-obviousness before grant.

C. it is desirable for examinations to be based on an official search, either by SIPO or by a foreign patent office.

D. it would be beneficial to the public to permit third parties freely to file additional prior art against pending utility model applications, and to publish utility model applications before grant to allow third party intervention.

E. it would be beneficial to the public to require an applicant who obtains a utility model and an invention patent for the same subject matter to surrender the utility model as a condition for grant of the patent.

F. SIPO's view is wise, that the patent law should set specific criteria for when to allow, and how to handle, invention patent and utility model applications for overlapping subject matter that is not actually the same.

We suggest that the effective date of design patents for infringement rights be at least from its application filing date in China, and that Article 40 be amended accordingly. As other issues relating to design patents, the Sections respectfully refer to their comments regarding Articles 22 and 23.

Discussion

The utility model patent (UM) was adopted by China to afford protection to innovations that are regarded as minor. This is similar to the Gebrauchsmuster of Germany and the UM of Japan.

The Sections believe that the problems that in some cases are arising from concurrent invention patent and utility model protection will be greatly reduced if substantive examination, or at least a compulsory official search, is introduced for utility model applications.

Under the rules, a UM is available for products with structural features and not available for the protection of processes, chemicals or formulations. The law also provides for substantive examination for invention patent applications, and only a formal examination for UM applications. Thus, a UM is usually granted more quickly than a corresponding patent. Some applicants have taken advantage of this by filing simultaneously both an invention patent application and a UM application for the same invention. This may result in the granting of a UM followed by an invention patent.

The lack of search or substantive examination has caused a number of problems in the UM area. UMs have issued for subject matter that was ineligible for protection because it was not new, or was obvious. This has resulted in a considerable burden to the economy, because the validity of the issued UMs has to be resolved in the course of infringement proceedings after grant, or because manufacturers and traders have been unjustly deterred from handling products covered by the invalid UMs. Owners of invalid UMs have greatly abused the patent system by knowingly obtaining and enforcing the invalid UMs.

The most effective remedy for these problems would be to examine UM applications for both novelty and non-obviousness before grant. However, we realize that would impose a very great additional workload on the SIPO examiners, and might be impractical in the short term. As an interim measure, the Sections suggest that a requirement for an official novelty search and an examination for novelty would considerably reduce the present problems. An examination for novelty would eliminate the worst problems and abuses of the existing system, and would be much less burdensome for SIPO, because novelty is far easier to assess than non-obviousness.

A system in which patent rights are examined only for novelty before grant, but can be attacked for obviousness after grant, is entirely practical. For example, the United

Kingdom used that system successfully from 1907 to 1978. We do not believe that a search without at least a novelty examination would be adequate. Even if the search report, like a WIPO “enhanced” search report, includes a non-binding opinion on the allowability of the claims, that would not prevent an unscrupulous, or merely over-confident, party from arguing that the search examiner is wrong, and would not materially reduce the burden of inappropriate litigation.

In order to reduce the burden on SIPO, the SIPO examiner could use a search from another patent office instead of a search by SIPO, or with only a supplemental search by SIPO. This approach is commonplace when processing national phases of the Patent Cooperation Treaty (“PCT”) patent applications, and there is increasing discussion among IP offices generally of the possibility of sharing search and examination results on related applications in order to reduce the workload on each office. (Consider, for example, the current discussions between the U.S. and Japanese patent offices.) Such an approach would thus be consistent with the present trend in international cooperation between different IP offices. The other search could be either a search report from a corresponding application or, where no suitable corresponding application is available, a specially-commissioned search. Many PCT international search applications (ISAs), for example, will provide an “international-type” search on a document in patent application format without requiring an actual application before the ISA.

In addition, the Sections’ members’ experience suggests that in many cases UM applications are filed covering products that are sold by the applicant’s competitors, but have not previously been the subject of any application for protection. In that situation, the patent office examiner is often unable to find the prior art. We therefore suggest that SIPO should consider publishing UM applications before grant, in order to allow third parties to draw to SIPO’s attention prior art, especially prior commercial uses, that would not be found on an official search. However, we do not believe this measure would result in sufficiently systematic citations of prior art to be effective except as a supplement to an official prior art search.

A private search by the UM applicant and/or a duty for the UM applicant to disclose to SIPO prior art known to the applicant might be a useful supplement to an official search, but we believe such a requirement would not be adequate as a substitute for an official search. Here, we believe that SIPO can benefit from the long experience in the U.S. of a system with a strong duty of disclosure to the Patent Office. U.S. experience has found that the duty of disclosure is useful because many applicants who might otherwise conceal prior art will not defy an explicit legal duty. However, it has been difficult to devise standards that effectively penalize the dishonest applicant without being too harsh on the merely lazy, incompetent, or inefficient. Courts in the U.S. have complained strongly that defendants in infringement lawsuits routinely allege breaches of the duty of disclosure on very weak evidence, in the hope of discrediting the patent owner. The USPTO has recently proposed to require a full search by the patent applicant in some circumstances. The proposal has been strongly criticized, on the ground that honest applicants would be constantly attacked for supposed defects in the search. We believe that the PRC would experience similar problems in implementing a similar system.

Presently, there are no specific provisions in the Patent Law nor the Implementing Regulations on whether and when it is appropriate to file both UM and invention patent applications for closely related innovative subject matter, or what to do if an invention patent issues following the issuance of a UM, apart from Implementing Regulations Rule 13, which forbids granting two patent rights for an “identical” invention-creation. There are limited provisions in the New Preliminary Examination Procedures of Utility Model, Rules 5.6 and Rule 14, allowing the examiner to refuse a Utility Model application under Implementing Regulations Rule 13, or when the claimed innovation “clearly lacks novelty.” (There is no provision for a search. The examiner can act only if he already knows of the conflicting patent or prior art.)

However, New Procedures Rule 5.6 is narrowly drafted, and allows the grant of many Utility Models that are invalid under Patent Law Article 22. In particular, New Procedures Rule 5.6 does not address the case where the invention patent application and the utility model application are filed at or around the same time, so that neither application is a prior publication against the other. In addition, there is still no guidance on when it is appropriate to file both UM and invention patent applications for similar but not “identical” innovative subject matter. Nor is there guidance on what to do if an invention patent issues following the issuance of a UM.

While the Sections believe that related invention patents and UMs can coexist, where an invention patent and a UM are both directed to the same apparatus or mechanical product, we believe that more careful consideration is required. The present problem will be reduced, but not eliminated, if SIPO introduces searching, or search and examination of UMs before they are granted. Examination will both slow down the grant of UMs and limit the scope of protection of UMs, thus reducing the two main advantages to obtaining a UM for an invention that can be patented with an invention patent. The more thorough the examination is, the greater the effect will be.

Where an invention patent and a UM have identical scope of protection, the Sections do not believe there is any good reason for having two distinct rights in force. We are aware that this opinion is not universally held. The European Patent Office, for example, seems to have no procedure to prevent the grant of two identical patents with the same priority date. The U.S., in contrast, has elaborate procedures to prevent “double patenting” of the same invention. (The problem is greater in the U.S., because the very generous U.S. “continuation” practice and the very generous U.S. practice on disregarding as prior art earlier co-pending applications by the same applicant would make it too easy to generate multiple patents for the same invention.) However, we believe that it would be easier for the public to understand what rights it must respect, and thus more beneficial as a public policy, to allow only one protective right for one invention. This could be achieved by requiring that the UM right be surrendered in exchange for the grant of a patent.

Where the scope of protection of an invention patent and a UM are not identical, the situation is less clear-cut. For example, if SIPO intends to maintain different standards of non-obviousness for invention patents and UMs, then an invention patent of narrow

scope with a 20 year term and a UM with a broad scope and a 10 year term could rationally overlap. We believe arguments can be made both for and against allowing both rights to remain in force. Based on our experience in the U.S., the Sections favor allowing both rights to remain in force, because that allows greater flexibility to tailor the protection sought and provided to the circumstances of a specific invention and a specific applicant. However, we suggest that, as in the U.S., the law should require the overlapping protective rights to remain in common ownership, so that a prospective licensee, or a possible infringer, does not need to deal with multiple rights owners.

In all events, the Sections strongly support SIPO's view that the Patent Law or Implementing Regulations should be amended to include definite stipulations specifying the circumstances under which co-existing invention patent and UM rights, or co-pending applications for an invention patent and a UM, are to be allowed.

With respect to design patents, in view of the serious concern about piracy of designs, one way to help eliminate piracy would be to provide that design patent rights date back to the design patent application filing, after the design patent is announced. The gap between the filing date and announcement creates a time when a product is not protected, even though it is on the market. This proposed change would distinguish the design patent from patents and utility models that have their rights start at the announcement. In many countries where no novelty exam occurs, at least the date of application filing in a country is used to begin the design patent rights, but other countries, like the U. S., use the announcement date.

Article 42 (Duration of Design Patents)

Article 42

The duration of patent right for inventions shall be twenty years, the duration of patent right for utility models and patent right for designs shall be ten years, counted from the date of filing.

Sections' Comment

The Sections suggest that the duration of patent right for designs be extended to 15 years from the date of filing, to conform to international convention.

Discussion

We believe that in such areas, harmony with the laws of other nations would be in China's interests. A term of 15 years would harmonize China with the consensus developed as a part of the Geneva Act (1999) of the Hague Agreement Concerning the International Registration of Industrial Design, a treaty that China is considering joining, according to a recent SIPO announcement. The relevant provisions in the Geneva Act are

Articles 10(2) and 17(3).

Article 44 (Termination of Rights)

Article 44

In any of the following cases, the patent right shall cease before the expiration of its duration:

(1) where an annual fee is not paid as prescribed;

(2) where the patentee abandons his or its patent right by a written declaration. Any cessation of the patent right shall be registered and announced by the Patent Administration Department under the State Council.

Sections' Comment

The Sections suggest that SIPO consider providing that an applicant may recover lost rights after a missed time limit under certain circumstances, such as Article 12 of the Patent Law Treaty.

Discussion

The Sections believe that providing for such recovery possibilities will enable rights not to be irretrievably lost if circumstances change and there are no compelling public interest in foreclosing recovery in such circumstances. It would be more equitable and provide for greater flexibility in the system.

Article 45 (Declaration of Invalidity)

Article 45

Where, starting from the date of the announcement of the grant of the patent right by the Patent Administration Department under the State Council, any entity or individual considers that the grant of the said patent right is not in conformity with the relevant provisions of this Law, it or he may request the Patent Reexamination Board to declare the patent right invalid.

Sections' Comment

The Sections suggest that Article 45 be amended to provide for a declaration of invalidity only if there is a substantial new question that has arisen following the grant of the patent right, so that it reads:

Where, starting from the date of the announcement of the grant of the patent right by the Patent Administration Department under the State Council, any entity or individual considers that the grant of the said patent right is not in conformity with the relevant provisions of this Law in light of a substantial new question of patentability, it or he may request the Patent Reexamination Board to declare the patent right invalid.

Discussion

The Sections believe that it would be good public policy to provide for such a standard for seeking declarations of invalidity, to lessen uncertainty and the potential burden for the PRB of reviewing repeated requests on identical or similar bases. We urge that the threshold for initiating an invalidation proceeding be raised under Article 45 to prevent the abusive use of this proceeding as a way to prolong a patent infringement action.

Article 46 (Procedures for Declarations of Invalidity)

Article 46

The Patent Reexamination Board shall examine the request for invalidation of the patent right promptly, make a decision on it and notify the person who made the request and the patentee. The decision declaring the patent right invalid shall be registered and announced by the Patent Administration Department under the State Council.

Where the patentee or the person who made the request for invalidation is not satisfied with the decision of the Patent Reexamination Board declaring the patent right invalid or upholding the patent right, such party may, within three months from receipt of the notification of the decision, institute legal proceedings in the people's court. The people's court shall notify the person that is the opponent party of that party in the invalidation procedure to appear as a third party in the legal proceedings.

Sections' Comment

The Sections suggest that the power to invalidate patents be granted to both the People's Courts and the PRB. More specifically, a court, when reviewing a decision of the

PRB, should have the power either to: (i) reverse decisions of the PRB and revoke the patent on its own volition; or (ii) vacate PRB's decision and refer the case back to the Board for further factual investigation and determination. This authority would give courts more flexibility to adjudicate appeals of PRB decisions efficiently and effectively. Whether a court will enter a final decision in a particular case would depend largely on how well the facts of that case are set forth in the record.

Discussion

Under Article 46 of the Patent Law, invalidation actions against a patent are considered by the PRB. Appeals from the decision of the PRB are by way of legal proceedings in the People's Court against PRB with the respondent in the invalidation procedure before the PRB appearing as third party in the proceedings.

Based upon the experiences of Japan, the U.S., Australia and most European countries, where the parties to appeal proceedings are the original parties in the invalidation procedure – *i.e.*, the applicant versus the patentee – the Sections support amending the law, so that the parties to an appeal against an invalidation decision will be the original parties to the invalidation action. This is the most logical approach since the appeal is a continuation of the dispute between the parties. However, the right of PRB to appear as a third party should be explicitly stated. Additionally, the PRB should be entitled to continue any appeal proceedings in the event the respondent decides to withdraw. With this procedure, the PRB will be an intermediary and not an object of accusation, but will, however, be available to make declarations when called upon by the courts to do so.

Under current practice, PRC courts only have the power to make a decision on the validity of the decision of the PRB. They do not have the independent right to invalidate the patent, which is the responsibility of the PRB. Therefore, if a court decides that the PRB decision is wrong and the patent should be invalidated, for example, the matter then goes back to the PRB which then deals with the invalidation. This delays the implementation of the court decision and it would be more expeditious if courts had the power to invalidate the patent.

Articles 48, 49, 50, A3, and 55 (Compulsory License)

Proposed Amendments

Article 48

Where the patentee of an invention or utility model, after the expiration of three years from the grant of the patent right, has not exploited the patent or has not sufficiently exploited the patent without any justified reason, the Patent Administration Department under the State Council may, upon the request of the entity which is qualified to exploit the invention or utility

model, grant a compulsory license to exploit the patent for invention or utility model.

Article 49

Where a national emergency or any extraordinary state of affairs occurs, or where the public interest so requires, the Patent Administration Department under the State Council may, upon the request by relevant responsible department under the State Council, grant the entity which is qualified for exploitation a compulsory license to exploit the patent for invention or utility model.

The occurrence or propagation of an epidemic disease that causes public health crisis constitutes a national emergency prescribed in the preceding paragraph. The prevention of occurrence of an epidemic disease, the control of propagation of an epidemic disease, or the treatment of patients infected with an epidemic disease are actions required by the public interest in the preceding paragraph.

Where a drug for treating an epidemic disease has been granted a patent in China, and a developing country or a least developed country who have no or insufficient capability to manufacture the said drug, hopes to import the drug from China, the Patent Administration Department under the State Council may grant an entity which is qualified for exploitation, a compulsory license to manufacture the said drug and to export it to the said country in accordance with relevant stipulations in the international treaties to which China is a party.

Article 50

Where the invention or utility model for which the patent right has been granted involves important technical advance of considerable economic significance in relation to another invention or utility model for which a patent right has been granted earlier and the exploitation of the later invention or utility model depends on the exploitation of the earlier invention or utility model, the Patent Administration Department under the State Council may, upon the request of the later patentee, grant a compulsory license to exploit the earlier invention or utility model.

Where, according to the preceding paragraph, a compulsory license is granted, the Patent Administration Department under the State Council may, upon the request of the earlier patentee, also grant a compulsory license to exploit the later invention or utility model.

Article A3

The decision by the Patent Administration Department under the State Council granting a compulsory license for exploitation shall provide that the exploitation shall be predominately for the supply of the domestic market, except as otherwise provided for in Article 49, third paragraph, of this Law.

Where the invention-creation covered by the compulsory license relates to a semi-conductor technology, the exploitation under the compulsory license is limited to public and non-commercial use or to the use in remedy of an action against anti-competitive competition as determined by the judicial or administrative procedure.

Article 55

Where the patentee is not satisfied with the decision of the Patent Administration Department under the State Council granting a compulsory license for exploitation, or the entity or individual requesting a compulsory license for exploitation is not satisfied with the decision made by the Patent Administration Department under the State Council rejecting its or his application, it or he may, within three months from the receipt of the date of notification, institute legal proceedings in the people's court in accordance with the Administrative Procedure Law of the People's Republic of China.

Where the patentee or the entity or individual that is granted the compulsory license for exploitation is not satisfied with the ruling made by the Patent Administration Department under the State Council regarding the exploitation fee, it or he may, within three months from the receipt of the date of notification, institute legal proceedings in the people's court in accordance with the Civil Procedure Law of the People's Republic of China.

Sections' Comment

The Sections generally support the limitations proposed in Article 48 on when compulsory licenses may be granted where there is failure to exploit a patent within three years of patent grant, though we suggest that it may be even better to eliminate Article 48 entirely. In all events, we suggest that any grant of compulsory license must be authorized or co-authorized by an official at a Minister or Vice-Minister level in a department directly governed by the State Council and independent of SIPO.

The Sections suggest more refined definitions for terms such as “national emergency,” “extraordinary state of affairs,” and “epidemic disease.” We also urge careful measures to prevent migration of pharmaceuticals manufactured for third-countries into the PRC domestic market following grants of compulsory licenses, given the current challenges in enforcement of IP rights in China.

The Sections support the incorporation of the licensing restrictions of Rule 72 of the Implementation Regulations into the Patent Law itself through new Article A3. We also suggest that SIPO revise the second paragraph of Article 50 to read:

Where, according to the preceding paragraph, a compulsory license is granted, the Patent Administration Department under the State Council shall~~may~~, upon the request of the earlier patentee, also grant a compulsory license to exploit the later invention or utility model.

Discussion

Under the current Patent Law, there are three grounds for the granting of compulsory licenses: (a) Article 48 provides that a compulsory license may be granted where an entity has made requests to the patentee to exploit his/her patent on reasonable terms and conditions but such requests have not been granted within a reasonable period of time; (b) Article 49 provides that in the case of a national emergency or occurrence of any extraordinary state of affairs, or “where the public interest so requires,” a compulsory license may be granted to exploit the patent; and (c) Article 50 provides that in an instance in which the exploitation of a later patented invention, which involves an important technical advance of considerable economic significance, depends on the exploitation of an earlier patented invention, the later patentee may be granted a compulsory license to exploit the earlier invention upon request. The license shall be non-exclusive and non-assignable and a reasonable royalty shall be paid to the compulsory licensor and the amount shall be negotiated or by adjudication of the Patent Administration Department under the State Council. *See* Patent Law, Arts. 53-54.

The Sections support the limitations proposed in Article 48 on when compulsory licenses may be granted where there is failure to exploit a patent within three years of patent grant, though we suggest that it may be even better to eliminate Article 48 entirely. The right not to exploit a patent is one of the core exclusive rights of patent ownership. Governments should not limit these exclusive rights, through compulsory licensing or otherwise, unless there are compelling reasons to do so. Furthermore, any such limitation must be consistent with international law, including articles 30 and 31 of the TRIPS Agreement.

Patent owners may have legitimate reasons not to exploit a patent within three years of a patent grant. For instance, it might take more than three years for the patent owner to figure out how best to develop the patented technology into a commercially viable product. Even if the patented invention can be developed into a viable product within three years, the patent owner (or its licensees) might have legitimate commercial reasons not release the product to market within the first three years after the patent grant. The proposed working requirement in Article 48 would penalize firms who took such legitimate commercial considerations into account, and might force patent owners to license or otherwise exploit patented inventions under conditions that prevented them from

maximizing the invention's full commercial or technical potential.

At the least, the Sections believe that the phrase “not sufficiently exploit[ing] the patent without any justified reason” is vague and could generate substantial uncertainty as to when a patented invention might be subject to compulsory licensing for “insufficient” exploitation. Thus, even if SIPO decides to retain and amend Article 48, SIPO should, at a minimum, remove the “not sufficiently exploited” language from this provision, and clarify that the act of licensing a patent to a licensee will constitute “exploitation” of the patent sufficient to satisfy the working requirement.

The Implementation Regulations of the Patent Law impose two other significant restrictions on compulsory licensing. Specifically, “Where the invention-creation involved in the compulsory license relates to semi-conductor technology, the exploitation of the compulsory license shall be limited only for public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive.” Rule 72. In addition, the same rule restricts the scope of a compulsory license to “predominately for the supply of the domestic market.”

As SIPO pointed out in its Researching Guidelines §2.4.6, it is more reasonable to put substantial provisions in the Patent Law rather than in its Implementation Regulations. Indeed, some time ago, the restrictive conditions for granting compulsory licenses contained in former Rule 68 of the Implementing Regulations were “moved into the Patent Law *in order to make [them] more authoritative.*”¹⁷ For the same reasons, we support SIPO's decision to incorporate the provisions currently set forth in Rule 72 into the Patent Law itself in new Article A3. Moreover, although the compulsory licensing provisions set forth in the current Patent Law are TRIPS-compliant to a significant degree, the Law itself was silent with respect to several provisions set forth in Article 31 of the TRIPS Agreement. Those TRIPS provisions, however, are currently set forth in Rule 72 of the Implementing Regulations, and now in new Article A3.

Concerning the proposed amendment to Article 49(3), the Sections recognize that it incorporates the WTO recommendation that pharmaceuticals may be manufactured for third-countries notwithstanding the existence of a patent right. However, in the case of PRC where enforcement of IP rights of all kinds has not, and does not, meet WTO standards, the grant of a compulsory license for the manufacture of pharmaceuticals for third-world nations creates an opportunity for such pharmaceuticals to migrate into the domestic PRC market. Until the enforcement of IP rights within the PRC meets WTO standards, the PRC should not extend compulsory licenses for manufacture of pharmaceuticals for sale outside the PRC.

The Sections believe that Articles 49 through 54 of the current Patent Law and associated provisions in the Implementation Regulations are generally consistent with the TRIPS Agreement as it applies to the granting of compulsory licenses. However, the

¹⁷ Report of the Working Party on the Accession of China, WTO WT/MIN(01)/3, 10 Nov. 2001, Par. 272 (emphasis added). Former Rule 68 dealt with the reasons for the scope and duration and the procedures for termination of a compulsory license.

Sections suggest that SIPO replace the word “may” with “shall” in the second paragraph of Article 50 of the Patent Law. This small change would help the Patent Law to be more consistent with TRIPS Article 31(I)(ii), which provides that when a compulsory license is granted to an earlier patent, the earlier patentee shall be entitled to a cross license to the technology claimed in a later patent.

Furthermore, the Sections urge more refined definitions for the various terms used in the provisions in the chapter on compulsory licensing, and a requirement that such licenses be authorized or co-authorized by someone at a minister or vice-minister level to ensure the propriety of such decisions in light of international standards, and a more thorough grant process.

Articles 57, A4, A5, and A6 (Resolution of Disputes)

Proposed Amendments

Article 57

Where a dispute arises as a result of the exploitation of a patent without the authorization of the patentee, that is, the infringement of the patent right of the patentee, it shall be settled through consultation by the parties. Where the parties are not willing to consult with each other or where the consultation fails, the patentee or any interested party may institute legal proceedings in the people’s court, or request the patent administration department to handle the matter.

Article A4

When the patent administration department handling the patent infringement dispute considers that the infringement is established, it may order the infringer to stop the infringing act immediately; where the circumstances are serious, the infringing products and the special equipments used for exploiting the infringing act shall be confiscated.

If the infringer is not satisfied with the order made by the patent administration department, he may, within 15 days from the date of receipt of the notification of the order, institute legal proceedings in the people's court in accordance with the Administrative Procedure Law of the People's Republic of China; if, within the said time limit, such proceedings are not instituted and the order is not complied with, the patent administration department may approach the people's court for compulsory execution.

The patent administration department handling the matter may, upon the request of the parties, mediate the amount of compensation for the damage caused by the infringement of the patent right; if the mediation fails, the

parties may institute legal proceedings in the people's court in accordance with the Civil Procedure Law of the People's Republic of China.

Article A5

When handling patent infringement disputes, the patent administration department may exercise the following functions and authorities:

- (1) to inquire of the parties involved, and to investigate the facts relevant to the alleged infringement of the patent right of other persons;
- (2) to read and duplicate the contracts, invoices, account books and other relevant materials related to the party's alleged infringement of the patent right of other persons;
- (3) to carry out an on-the-spot inspection of the site where the party's act of alleged infringement of the patent right of other persons took place;
- (4) to seal up or seize products that infringe the patent right of other persons or equipment specially used for carrying out the infringing act, where there is proof of such product or equipment.

The parties shall assist and cooperate with the patent administration departments in exercising the functions and authorities prescribed in the preceding paragraph in accordance with law, and may not refuse or impede them.

Article A6

Where any infringement dispute relates to a patent for invention for a process for the manufacture of a new product, any entity or individual manufacturing the identical product shall furnish proof to show that the process used in the manufacture of its or his product is different from the patented process.

Where a patent infringement dispute relates to a patent for utility model or a patent for design, the patentee or the interested party should furnish to the people's court or the patent administration department a search report made by the Patent Administration Department under the State Council.

Sections' Comment

The Sections suggest that, prior to instituting a legal proceeding in the People's Court or filing a request with the Patent Administration Department, the parties be required to enter into a binding mediation or arbitration process. The Sections support the proposed amendments authorizing the Patent Administration Department to act to prevent further injury from infringement and to fully investigate disputes. We also believe that it is wise to require the parties to provide a search report in the case of design patent disputes.

Discussion

A requirement of entering into mediation or arbitration will ensure that the intent in Article 57 of requiring consultation will be effective.

Article A7 (Infringement of Invention or Utility Model)

Proposed Amendment

Infringement of a patent for invention or utility model means that the technology exploited by the accused infringer has technical features identical with or equivalent to all the technical features of a technical solution defined in one claim of the patent for invention or utility model.

Equivalent feature means that although a particular technical feature of the technology exploited by the accused infringer is different from the corresponding technical feature defined in a claim of the patent for invention or utility model, it requires no inventive effort for a person skilled in the art to realize that the corresponding feature involves basically identical means to realize a basically identical function and to produce a basically identical effect upon reading the specification, drawings and claims of the patent when the infringing act occurs.

Sections' Comment

The Sections support the adoption in the proposed amendments of the doctrine of equivalents, and principle of “prosecution history” or “file wrapper estoppel.” However, we suggest that, in the definition of “equivalents”, the phrase “basically identical (基本相同)” be changed to “substantially identical (实质相同).”

Discussion

There is generally a need in patent law and regulations to permit demonstrating infringement or measuring infringement with respect to a “doctrine of equivalents” type

approach and to allow “prosecution history” or “file wrapper” estoppel, to limit the scope of a patent. Without a doctrine of equivalents, the scope of a patent may be literally interpreted and so narrow as to not be meaningful. Conversely, without considering the “prosecution history” or the “file wrapper” of a patent, the scope of a patent may be interpreted too broadly.

Therefore, the Sections support proposed Article A7, to clarify that when an accused device performs substantially the same function in substantially the same way to yield substantially the same result as those claimed in a specific element of a patent, infringement exists, and that subject matter or claims surrendered in the prosecution of a patent may not be recaptured or made a part of claimed elements (*i.e.*, “prosecution history” or “file wrapper” estoppel) even if the subject matter or claims involve substantially the same function done in substantially the same way to yield substantially the same result as those specifically claimed in a particular element.

However, proposed Article A7 uses the phrase “basically identical (基本相同)” in the definition of “equivalents.” We suggest that the phrase be changed to “substantially identical (实质相同).” “Basically identically” may be interpreted to cover a very wide range of equivalents and render the doctrine too broad. Courts in the U.S. are limiting the application of the doctrine following the *Festo*¹⁸ decision by the U.S. Supreme Court.

The United States follows a common law approach with precedent from court decisions defining the parameters of when infringement exists involving products that exhibit equivalent features or practice equivalent methods or functions to those covered by claims in a patent under the “doctrine of equivalents.” Similar precedent clearly defines the parameters of “prosecution history estoppel” where claims of a patent may not be read too broadly to cover features, methods, or functions that were abandoned or not claimed in prosecution of a patent claim.

Because China is a civil law country where court precedents do not play the role they do in common law jurisdictions, standards should be clearly articulated in the law and regulations so that patent owners can properly demonstrate infringement and companies accused of infringement can defend against infringement based on stated principles.

Countries differ as to the relevant time period to use in evaluating whether an accused element is equivalent under these principles. Most countries, including the United States and Japan, evaluate facts existing at the time of the alleged infringement. Article 20(2)(b) of the WIPO-proposed Patent Harmonization Agreement provides that the time frame for evaluating equivalency is the infringement date. However, some countries evaluate facts existing at the time of patent application or issuance (giving precedence to the “notice” element of patents). The Sections believe that the better approach is to base the evaluation of whether an accused element is equivalent on facts as they exist at the time of accused infringement rather than at some earlier date, such as at the time of patent

¹⁸ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002).

application or patent issuance. Because China likely will be adopting the Patent Harmonization Agreement, adopting the infringement date as the time for evaluating equivalency will make China's law consistent with these provisions. The Sections believe that any ambiguity in the law should be resolved with a clear pronouncement in the law and regulations to adopt the standard of evaluating equivalency at the time of infringement.

Article A8 (Infringement of Design Patent)

Proposed Amendment

The infringement of a patent for design means that the product manufactured, sold or imported by the accused infringer is identical with or similar to the product indicated explicitly in a patent document for design, and the design of the said product is identical with or similar to the design shown in the picture(s) or photo(s) of the patent for design, leading to the confusion of them by ordinary consumers.

Sections' Comment

The Sections suggest the deletion of the "product" requirement from Article A8. We also suggest that infringement of a design patent require only that the alleged infringing product be identical or similar to the design patent drawing or photo, and no requirement be made that the alleged infringing product be identical or similar to the product indicated explicitly in a design patent.

Discussion

Another important consideration in the efforts to prevent piracy is to give design patents effective protection scope. In order to prevent piracy and confusion, a design patent should protect all types of products incorporating the design, where the designs are identical or similar. For example, a design patent on a car shape would be infringed by a design patent on a toy car with the same design. Design patent product classification should not limit the scope of enforcement rights, as long as the same or similar design has been incorporated in a product. The alternative to this principle would be to require design owners to file a large number of design patent applications on products where their design may be use, increasing design protection business costs and the work of the Patent Office.

Under proposed Article A8, two requirements must be met in order to infringe a PRC design patent: (1) the *products* are the same or similar, and (2) the *designs* are the same or similar.

In a recently reported case between BMW and a PRC toy manufacturer, the PRB held that a design patent directed to a "car model" was valid in light of a prior design owned by BMW which is directed to a "car". According to the PRB, car models and cars

belong to different classes of products. Their uses are different, and they target different consumers. Thus, a prior car design does not render a later car model design invalid, even though both designs are the same or similar.

This case was decided under the framework of patent invalidation. However, it shows how the “product” requirement for design patents limits the usefulness of design patents in China. The Sections therefore believe that it would be good public policy to delete the “product” requirement from Article A8.

Article A10 (Defenses to Infringement Claims)

Proposed Amendment

Where the people’s court or the patent administration department trying or handling the patent infringement dispute decides that the technology or design exploited by the accused infringer is prior art or prior design based on the evidences provided by the parties, the said exploiting act shall not be considered as constituting an infringing act.

Where the patentee, knowing that the technology or design for which a patent right has been granted to it or him is within prior art or prior design, accuses other persons for infringing its or his patent right in bad faith and institutes legal proceedings in the people’s court or request the patent administration department to handle the matter, the accused infringer may request the people’s court to order the patentee to compensate for the damage thus caused to the accused infringer.

Sections’ Comment

The Sections support the authorization of the People’s Courts to consider a defense that the accused infringer is simply practicing what is available in the public domain, while not deciding the validity of the patent in dispute. We also support compensation to the alleged infringer where the patentee made an accusation in bad faith. However, the Sections urge that adequate resources be allocated for educating judges in such matters.

Discussion

The Sections support proposed Article A10, which gives the people’s courts the power to adjudicate whether the accused infringer is simply practicing what is already in the public domain, without passing judgment on the validity of the asserted patent. However, the power to invalidate a patent, an essential component of any patent dispute, is currently concentrated in the administrative arm of the government, namely in the Patent Reexamination Board. Courts, even Beijing No.1 Intermediate Court and Beijing Higher

People's Court, are not empowered to invalidate a patent when reviewing the PRB decisions.

China currently has a dual system of administrative enforcement and judicial enforcement that is intended to provide flexibility to patent owners, which system China believes is suited to its current situation. Nonetheless, in addition to our suggestions regarding Articles 45 and 46 to improve the existing invalidation procedures, the Sections encourage SIPO to consider distributing more evenly the power to invalidate a patent between the administrative agencies and the people's courts. At the very least, in infringement actions, courts should be allowed to comment on the validity or enforceability of patent rights when the evidence makes clear that the claimed invention has been disclosed by prior art. This may significantly reduce frivolous lawsuits, especially those related to design patents or utility model patents that would not have been issued if substantive examination were available.

We understand that allowing the judiciary to be more involved with patent validity issues requires legislative changes beyond the Patent Law itself, and recognize that such a proposal would require additional and adequate resources to be allocated to the judicial branch to ensure the judges will have enough information, technical and legal, at their disposal to reach just results.

More generally, the Sections recognize the need for the patent law to prevent abuses. Conduct that may be considered an abuse should be clearly articulated so that companies can avoid engaging in such conduct. Patents should be unenforceable when obtained through inequitable conduct, such as intentional misrepresentations, intentional failure to disclose material information, or fraud on the patent office. Parties harmed as a result of such conduct or efforts to enforce a patent known to be invalid or unenforceable, even if not obtained through inequitable conduct, should be able to recover their legal fees and costs in defending against such enforcement actions.

On the other hand, the Sections strongly urge that the Patent Law be clarified that the mere enforcement of a valid patent or mere refusal to license should not be considered an abuse even when it results in a monopoly. Otherwise, the very foundation of the patent system and the incentive to innovate may be severely undermined.

Under patent law, misuse as an exception to enforceability of the patent rights (in whole or in part) should be clearly and narrowly crafted to serve clearly articulated policy goals. Certain conduct related to patent licensing (*i.e.*, price fixing and "tying" of products) could be anti-competitive and hence should be prohibited, but such conduct should be adequately dealt with by other laws, such as the anti-monopoly law. Therefore, patents should be made unenforceable where obtained through inequitable conduct such as an intentional misrepresentation or failure to disclose material information to the Patent Office. Parties harmed by such conduct or by efforts to enforce a patent known to be invalid or unenforceable (even if not obtained through inequitable conduct) should be able to recover their legal fees and costs in defending such enforcement actions. The same or similar provisions can be found in the laws of other countries such as the U.S., UK and Australia.

On the other hand, the mere unilateral refusal to license a patent should not be considered an abuse even where the intellectual property at issue confers market power on the patentee.¹⁹ The ability of a patentee to freely choose whether to license its patent as long been recognized by the U.S. Supreme Court as the core of patent rights.²⁰ Under U.S. and other developed patent laws, the exercise of “the right to exclude others from the use of the invention . . . is not an offence against the Anti-Trust Act.”²¹ SIPO should protect the right to exclude because it stimulates innovation by assuring innovators, both domestic and foreign, they will be able to profit from their investments for a set period of time. Innovators, in turn, benefit consumers by producing new products and driving down the cost of older products.

To promote competition and avoid stifling or impeding innovation, competition authorities in the U.S., the European Union and other jurisdictions have developed detailed guidelines on how to properly apply general competition laws and policy to specific conduct involving intellectual property rights. The Sections therefore support the limitation in proposed Article A10 to well-established cases consistent with international norms – *i.e.*, where patents are made unenforceable because they were obtained through inequitable conduct such as intentional misrepresentation or intentional failure to disclose material information. Other potentially anti-competitive conduct involving patents – *e.g.*, litigation enforcing an invalid patent or imposing conditions on licenses that would clearly extend patent rights beyond the Patent Law and have a detrimental effect on competition – generally should be dealt with under the anti-monopoly law. Such abusive licensing conditions might involve inappropriate tying or illegal price fixing arrangements, again typically addressed under anti-monopoly and not intellectual property laws.

Article A11 (Enhanced Damages against Repeat Infringers)

Proposed Amendment

After a judgment or administrative decision cognizing the establishment of an infringement by the people’s court or the patent administration department takes effect, where the same infringer makes a similar infringing act on the same patent right once again, he shall, in addition to bearing civil liability in accordance with law, be ordered by the patent administration department to amend his act, with announcement of the order, and his illegal earnings shall be confiscated and, he may be

¹⁹ See U.S. Dep’t of Justice & Fed. Trade Comm’n, Antitrust Guidelines for the Licensing of Intellectual Property (April 6, 1995), page 4, at <http://www.usdoj.gov/atr/public/guidelines/ipguide.pdf> (market power does not impose on the intellectual property owner an obligation to license its property to others).

²⁰ See, *e.g.*, *Bement v. National Harrow Co.*, 186 U.S. 70, 90 (1902) (The patentee’s title is “exclusive, and so clearly within the constitutional provisions in respect of private property that he is neither bound to use his discovery himself nor permit others to use it.”).

²¹ *United States v. United Shoe Mach. Co.*, 247 U.S. 32, 57 (1918).

additionally imposed a fine of up to three times his illegal earnings or, if there is no illegal earnings, a fine of up to RMB 100,000 yuan.

Sections' Comment

The Sections suggest that new Article A11 be revised to provide enhanced damages paid to the patent owner for repeated infringement, because otherwise the patent owner may not be fully compensated even for the cost of the infringement or the lawsuit.

Discussion

New Article A11 provides for a fine of up to 3 times the illegal earnings of a repeat infringer. However, the patent owner apparently receives only the usual compensation for civil liability for infringement. Even if the patent owner is awarded attorney's fees and other costs, as well as damages for the infringement, in practice the patent owner is not fully compensated for the cost of the infringement and the court action or legal proceedings.

The Sections therefore suggest that, where the repeated infringement is deemed to merit a penalty on the infringer of more than simple damages, part of the increased penalty should be paid as enhanced damages to the patent owner to compensate for the full cost of the infringement and the lawsuit. The Sections specifically suggest that the People's Court and the Patent Administration Department be authorized to award part or all of the penalty imposed under Article A11 as additional damages to the patent owner, instead of the money being paid as a fine to the State. In cases where the infringer has small or no illegal earnings, the Sections suggest that damages up to three times the damage actually suffered by the patent owner be allowed.

Article 60 (Amount of Compensation for Infringement)

Proposed Amendment

The amount of compensation for the damage caused by the infringement of the patent right shall be assessed on the basis of the losses suffered by the patentee or the profits which the infringer has earned through the infringement. If it is difficult to determine the losses which the patentee has suffered or the profits which the infringer has earned, the amount may be assessed by reference to the appropriate multiple of the amount of the exploitation fee of that patent under contractual license. Where there is no patent exploitation fee under contractual license for reference or the patent exploitation fee under contractual license is obviously unreasonable, the people's court may set an amount of compensation of not less than RMB 5,000 yuan and not more than RMB 1,000,000 yuan in light of factors

such as the type of the patent right, the nature of the infringing act and the circumstances.

Sections' Comment

The Sections support the proposed amendments to Article 60 to provide for statutory damages, with the exception that the upper limit of 1,000,000 yuan should be replaced with the amount of 400,000,000 yuan in order to ensure robust and effective protection of patent rights.

Discussion

Article 60 specifies how patent infringement damages are to be assessed. Currently, Article 60 relies on three factors: (1) the actual loss suffered by the patentee; (2) the profits made by the infringer due to the infringement; or (3) if these two “are difficult” to determine, then damages would be determined by reference to the appropriate multiple of the amount of the exploitation fee of that patent under contractual license. The problem long recognized with Article 60 is that often damages “are difficult” to determine and there is no contractual license for reference.

The proposed amendments recognize these difficulties and adopt “statutory damages” first made available in a Judicial Interpretation of the People’s Supreme Court in 2001. However, the proposed statutory upper limit of 1 million RMB is far too low. To avoid the need for statutory damages, rigorous evidence preservation is essential to enable the patentee to obtain the necessary sales and accounting information from the defendant. Due to the lack of substantive discovery in China, such evidence is rarely available. In order to have a strong patent system, it will be essential for judges to be able to award the appropriate amount of statutory damages when necessary.

Thus, Article 60 should be amended as proposed except that the limitation on the upper amount of compensation should be increased to RMB 400,000,000 yuan. While it is recognized that this amount is large, damages assessed in other countries against large corporations found to be infringing are frequently in this range and are occasionally even higher. Such an increase would significantly strengthen patent rights in the People’s Republic of China.

Articles 62 and A13 (Period for Damages Recovery)

Proposed Amendments

Article 62

Prescription for instituting legal proceedings concerning the infringement of patent right is two years counted from the date on which the patentee or

any interested party obtains or should have obtained knowledge of the infringing act.

Where no appropriate fee for exploitation of the invention, subject of an application for patent for invention, is paid during the period from the publication of the application to the grant of patent right, prescription for instituting legal proceedings by the patentee to demand the said fee is two years counted from the date on which the patentee obtains or should have obtained knowledge of the exploitation of his invention by another person. However, where the patentee has already obtained or should have obtained knowledge before the date of the grant of the patent right, the prescription shall be counted from the date of the grant

Article A13

Where the patentee or any interested party institutes legal proceedings beyond the prescription for instituting legal proceedings, it or he shall not request for compensation for damages caused by an infringement act occurring 2 years before the date of instituting the legal proceedings; where the infringing act still continues at the time of the institution of the legal proceedings, it or he may request the people's court or the patent administration department to order the infringer to stop the infringing act.

Where the infringing act has lasted for five years counted from the date on which the patentee or any interested party obtains or should have obtained knowledge of the infringing act, but the patentee or the interested party fails to claim its or his right without any justified reason, if the infringer is willing to pay an amount of exploitation fees agreed upon by both parties or ruled by the people's court, the infringer may not stop its or his act of exploiting the said patent.

Sections' Comment

The Sections suggest that Articles 62 and A13 be revised to provide for 6 years of damages in all cases. In addition, we suggest clarification in Article A13 regarding the circumstances permitting compulsory licenses to infringers and the terms and conditions of such licenses.

Discussion

Article 62 and new Article A13, first paragraph, effectively allow the patent owner to claim compensation for damages for up to two years before the date of filing legal proceedings, if the patent owner knew or should have known of the infringement for those two years. If the patent owner had no reason to know of the infringement, no time limit on damages is provided.

The Sections agree with SIPO's opinion that a cut-off on accumulating damages is desirable, to discourage patent owners from deliberately delaying starting proceedings. However, the Sections believe that two years is too short a period to allow fair compensation to the patent owner, given that in many cases the cost of legal proceedings is significant in comparison to the damages that can be claimed. On the other hand, where the patent owner did not have reason to know that there was infringement for many years, indefinitely accumulating damages may be too severe a penalty.

In addition, the Sections suggest that actual knowledge of party having authority to enforce the patent be required. The knowledge of a party having no authority to act on the knowledge by way of standing to initiate an enforcement action by administrative proceeding or suit in the people's court should be of no consequence. Knowledge of a party having an "interest", such as a retailer, or a distributor, but lacking authority to take action to enforce the patent, should not be attributed to the patentee. The knowledge factor should be limited to entities having the authority to bring administrative action or suit in the people's court for enforcement of the patent. Therefore, the class of entities that may be classified as "any interested party" in Articles 62 and A13 would benefit from clarification.

The Sections therefore recommend that a fixed period for compensation for damages for infringement occurring before the date of proceedings be set, whether or not the patent owner knew or should have known of the infringement. A six-year limit on damages has been used in the U.S. and other countries for many years, and has been found to be satisfactory.

The Sections respectfully suggest from their experience that the PRC should adopt the same six-year limit for Article 62 and new Article A13. The limitations period for bringing an action to enforce a patent infringed during the pendency of a patent application and after publication should not be different than for infringement commencing after a patent issues.

We support the placement in Article A13 on the alleged infringer of the initial burden of showing knowledge by the patent owner of infringement. In the absence of significant discovery in litigation, this is an equitable allocation.

The Sections suggest that any compulsory license granted be limited to the level of activity prior to the commencement of the lawsuit, and the infringer's conduct should be considered in whether a future license is granted. A compulsory license should not be a reward for deliberate infringement, regardless of the time period of infringement. Any license granted should be limited to permitting the infringer to continue the activity, without increasing the level or scope of activity, and should be conditioned on the infringer making the required royalty payment. As drafted, the second paragraph of Article A13 creates an invitation for abuse by deliberate dishonesty, by permitting an unlimited license grant. If an infringer maintained a low level of activity such that the infringer's activity did not warrant the cost of enforcement, after five years the infringer could increase the

level of activity without risk of halting activity.

Therefore, we suggest that Articles 62 and A13 be revised to read:

Article 62

Prescription of instituting legal proceedings concerning the infringement of patent right is ~~two~~ six (6) years counted from the date on which the patentee ~~or any interested party obtains or should have obtained~~ knowledge of the infringing act.

Where no appropriate fee for exploitation of the invention, subject of an application for patent for invention, is paid during the period from the publication of the application to the grant of patent right, prescription for instituting legal proceedings by the patentee to demand the said fee is ~~two~~ six (6) years counted from the date on which the patentee obtains ~~or should have obtained~~ knowledge of the exploitation of his invention by another person. However, where the patentee has already obtained ~~or should have obtained~~ knowledge before the date of the grant of the patent right, the prescription shall be counted from the date of the grant.

Article A13

Where the patentee or any interested party institutes legal proceedings beyond the prescription for instituting legal proceedings, it or he shall not request for compensation for damages caused by an infringement act occurring 2 years before the date of instituting the legal proceedings; where the infringing act still continues at the time of the institution of the legal proceedings, it or he may request the people's court or the patent administration department to order the infringer to stop the infringing act.

Where the infringing act has lasted for ~~five~~ six years counted from the date on which the patentee ~~or any interested party obtains or should have obtained knowledge~~ first learns of the infringing act, ~~but the patentee or the interested party fails to claim its or his right without any justified reason,~~ if the infringer may seek a license to permit the infringer to continue the level of infringement as it existed prior to commencement of the first enforcement action by the patentee by administrative action or suit in the people's court. In seeking a license, the infringer must establish actual knowledge by the patentee of infringement, and prejudice to the infringer caused by the patentee's delay in commencing enforcement. The infringer must ~~is willing to~~ pay an amount of exploitation fees (royalty) agreed upon by both parties or ruled by the people's court, ~~the infringer may not stop its or his act of exploiting the said patent. In setting the exploitation fee (royalty) the people's court may not consider the sales, profits, costs, or other financial information of the infringer. The~~

exploitation fee (royalty) shall be measured from the patentee's lost profits for the activity, or reasonable royalty. Where the infringing activity has continued for six years, a presumption that a continuing, non-exclusive, non-transferrable license will be granted may be rebutted by the reasonableness of the patentee's delay and the culpability of the infringer's conduct. The people's court may decline to grant a continuing license to an infringer having actual knowledge of the patent in consideration of all relevant factors. An infringer who copies a patented product shall not be granted a license.

Article 63 (Exceptions to Infringement)

Proposed Amendment

None of the following shall be deemed as infringement of the patent right:

- (1) Where, after the sale of a patented product that was made or imported by the patentee or with the authorization of the patentee, or of a product that was directly obtained by using the patented process, any other person uses, offers to sell, sells or imports that product;
- (2) Where, before the date of filing of the application for patent, any person who has already made the identical product, used the identical process, or made necessary preparations for its making or using, based on the technology or design that is self-developed or legally acquired, after the grant of patent right, continues to make and use, offer to sell, sell the product within the original scope only, or continues to use said process and use, offer to sell, sell a product directly obtained by using the said process within the original scope only;
- (3) Where any foreign means of transport which temporarily passes through the territory, territorial waters or territorial airspace of China uses the patent concerned, in accordance with any agreement concluded between the country to which the foreign means of transport belongs and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of reciprocity, for its own needs, in its devices and installations;
- (4) Where any person manufactures, uses or imports a patented product or uses a patented process solely for the purposes of scientific research and experimentation on the patent

technology *per se*, and any person manufactures, imports or sells a patented product to the said person;

- (5) Where any person manufactures, uses or imports a patented drug or a patented medical equipment solely for the purposes of obtaining and providing the information needed for the administrative approval of the drug or medical equipment, and any person manufactures, imports or sells a patented drug or a patented medical equipment to the said person.

Any person who, for production and business purpose, uses, offers to sell or sells a patented product or a product that was directly obtained by using a patented process, without knowing that it was made and sold without the authorization of the patentee, shall not be liable to compensate for the damage of the patentee if he can prove that he obtains the product from a legitimate source.

Sections' Comment

The Section suggests limiting the parallel imports authorized in the proposed amendment to Article 63(1) to exports from nations where the product in question is placed in circulation under the protection of a patent. We also suggest a narrower scope for the exception of proposed Article 63(4) for scientific research and experimentation as it may be abused.

The Sections support the express adoption of a *Bolar*-style exception in Article 63(5) for the purpose of administrative review of drugs and medical equipment.

Discussion

While permitting parallel imports from countries in which the product in question is lawfully placed into circulation under the protection of a patent is good public policy, there is not the same reason to permit parallel imports from countries in which the product was placed into circulation while circumventing patent protection. Similarly, the Sections believe that the exception in proposed Article 63(4), to “any person manufactures, imports or sells a patented product to the said person” may be overbroad and subject to abuse.

The draft Patent Law provides an exception under Article 63(5) that is substantially identical to the U.S. “*Bolar* exception.” The *Bolar* exception, also known as the “regulatory review exception,” permits generic drug manufacturers to conduct regulatory testing prior to the expiration of the patent on a drug product to prepare for commercial activity after the expiration of the patent.

The *Bolar* exception would be in the public interest because:

1. It would encourage generic drugs to be placed on the market more quickly than otherwise, while at the same time protecting the patent holders' exclusive rights.
2. It will be particularly important in China where the vast majority of pharmaceutical production is of generics.
3. It has been incorporated into several other national patent laws of several countries, including: Australia, Argentina, Brazil, Canada, Chile, Croatia, Israel, and Thailand. In many European countries it has been recognized by case law based on the experimental use exception. Additionally, the Supreme Court of Japan has also ruled (on April 16, 1999) on the validity of experiments made before the date of expiration of the patent for the purpose of an authorization petition for selling after such date.
4. It has been upheld as conforming with the TRIPS Agreement in a WTO dispute ruling. In its report adopted on 7 April 2000, a WTO dispute settlement panel said Canadian law conforms with the TRIPS Agreement in allowing manufacturers to do this.²²
5. It would further harmonize the Patent Law with the international intellectual property regime.

The Sections therefore support this addition to Article 63.

Article 65 (Usurper Application)

Article 65

Where any person usurps the right of an inventor or creator to apply for a patent for a non-service invention-creation, or usurps any other right or interest of an inventor or creator, prescribed by this Law, he shall be subject to disciplinary sanction by the entity to which he belongs or by the competent authority at the higher level.

Sections' Comment

The Sections suggest that, where an application has been filed by a person who is not entitled to do so, or a patent has been granted to a person who is not entitled to obtain the patent, the court should have power to order a transfer of the application or patent, respectively, to the rightful applicant or owner.

²² *Canada - Patent Protection for Pharmaceutical Products*, WTO Document No. WT/DS114/R.

Discussion

Articles 6 through 10 of the Patent Law set forth detailed rules on who is entitled to file a patent application and be granted a patent. However, Articles 6 through 10 do not address what happens if the wrong applicant files an application, or if a patent is granted to the wrong person.

Article 65 provides for a “disciplinary sanction” against the usurper. However, the language of Article 65 referring to “the competent authority at the next higher level” appears to apply only to State entities, and not to private-sector enterprises or individuals. In addition, disciplining the usurper does not compensate the rightful owner for the loss of the patent or application, and Article 65 does not address the case of an applicant acting mistakenly but in good faith.

In order to give proper effect to Articles 6 through 10, it is necessary that errors in the applicant or the owner be corrected, regardless of whether those errors arose through usurpation or innocent error.

The Sections therefore suggest that the people’s court be given specific power to determine disputes over the rightful ownership of invention-creations, patent applications, and patents and, where it is found that the applicant or owner is not entitled, power to order that the patent or application be transferred to the rightful owner. Similar power could be given also to the PAD. However, in our experience, disputes about ownership, even where there is no bad faith, frequently involve conflicting evidence of facts, and we believe the court, especially after having adequately trained judges, is likely better qualified than the PAD to resolve such conflicts.

In all events, the many steps between invention and the enjoyment of advancements of technology by society depends on the contribution of many parties, and each must be motivated to provide their best effort. Successful commercialization of technology advancements requires that each sector has confidence that the other sectors will perform as they may have agreed. Thus respect for and the sanctity of contracts and IP rights is essential to making technology developments available in China.

Researching Guide §2.1.3 (Adaptation to Patent Law Treaty)

The Sections recognize that the proposed amendments do not address the PLT. Nonetheless, since the topic was discussed in the Researching Guide, and in the event the topic is raised later in the consideration of amendments, we take this opportunity to express our support of efforts by China to adapt the Patent Law to the PLT, including by:

- a) conforming the Patent Law and Regulations to the provisions of the PLT;
and
- b) ratifying the PLT.

Discussion

The aim of the PLT is to harmonize and streamline formal procedures in respect of national and regional patent applications and patents, and thus to make such procedures more user-friendly.²³ Among the most significant treaty provisions are: (1) Requirements for obtaining a filing date were standardized in order for applicants to minimize the loss of the filing date; (2) A set of formal requirements for national and regional applications were standardized by the incorporation into the PLT of the requirements relating to form or contents of international applications under the Patent Cooperation Treaty (PCT); (3) The establishment of standardized Model International Forms was agreed upon, which must be accepted by the Offices of all Contracting Parties; (4) A number of procedures before the patent Offices were simplified; (5) Procedures for the avoidance of unintentional loss of substantive rights as a result of the failure to comply with formality requirements or time limits (including the obligation of Offices to notify the applicant or other concerned person, extension of time limits, continued processing, reinstatement of rights and restrictions on revocation/invalidation of a patent for formal defects, etc.); and (6) Provisions for the implementation of electronic filing.

To date, 59 parties have signed the PLT, including the United States, EPO, and most industrialized countries. The PLT entered into force on April 28, 2005. Currently, fourteen countries have ratified and/or acceded to the Treaty. The PLT is gradually being adopted. For example, the PCT will adopt PLT standards with effect from April 1, 2007 (although subject to Declarations of Incompatibility by individual member countries). The EPO will adopt the PLT as part of the “EPC 2000” reforms, presently expected to take effect in December 2007.

The Sections have carefully reviewed the provisions of the PLT and implementing regulations, and compared them to the present Patent Law and Regulations. The Sections have had special regard to the six subjects highlighted in the Researching Guide relating to the PLT, as explained in more detail in the discussion below of Specific Issues. The Sections believe that the practices proposed by the PLT are at least as good a balance between the interests of different parties as the present PRC law. We believe that in many cases the PLT practices are an improvement, for example, because they mitigate the consequences of an inadvertently missed time limit, which under present practice can too often result in an immediate and irrevocable loss of rights where that is not necessary to protect the interests of the public. We believe that the subjects addressed by the PLT are subjects where standardization is desirable, because confusion between different practices in different patent offices may harm the applicant, and there is no apparent benefit to either the public or the patent offices from allowing greater flexibility that would outweigh that harm. The Sections therefore believe that the general adoption of the PLT would be desirable as a way of promoting such standardization. The Sections believe that the adoption of the PLT by a country as important as the PRC would tend to promote the more

²³ The PLT does not address the substantive questions of what is and what is not patentable. Those questions are the subject of the separate Substantive Patent Law Treaty (SPLaT). There is presently no consensus on SPLaT, and the Sections believe that any consideration of SPLaT at the present time would be premature.

general adoption of the PLT, and would therefore be desirable.

Specifically, the Sections support adaptation of the Patent Law to the PLT because:

1. Standardization and simplification of the formality requirements lead to a reduced risk of formality errors, and thus will result in a less frequent loss of rights as well as in cost reductions.
2. Patent counsel may rely on a familiar set of patent formalities in all countries party to the PLT, since the PCT provisions regarding form or content of an international application, which are incorporated by reference into the PLT, are known to applicants and patent attorneys of many countries.
3. The PLT allows for possibility of correcting formality defects before the Offices and of the introduction of various procedures tending to avoid the loss of rights, so that applicants may face a reduced risk of loss of rights through failure to comply with formality requirements.
4. By eliminating unnecessarily complex procedures and streamlining the whole process, SIPO may operate more efficiently, and therefore reduce its costs.
5. With the significant exception of the filing date requirements, the PLT provides maximum sets of requirements, which may be applied. This means that adaptation by the PRC to the PLT would require amendment only where the current Patent Law is less generous from the viewpoint of applicants and owners.
6. Adaptation of the Patent Law by the PRC to PLT could promote general adoption of the PLT.
7. Harmonization of procedural matters by the general adoption of the PLT could potentially lead to more and better progress on substantive harmonization through the SPLaT.

Specific Issues

1. Time limit, conditions, and recovery required by priority

PLT Article 13(1), following PCT Rules 4.10 and 26bis.1, will allow a claim to Convention priority to be added or corrected within 16 months from the earliest priority date (original or corrected date, whichever is earlier), or four months from filing the application. Patent Law Article 30 and Rule 32, following the minimum requirements of the Paris Convention, presently require the priority claim to be made when the application

is filed. Provided that any request for correction is filed within 16 months from the earliest possible priority date, so that the application can be duly published 18 months from that priority date, and can include a notice alerting the reader to the requested correction, there is no harm to the public from allowing a correction. Provided any request is decided before the application is examined, there is no burden on the substantive examiner from allowing the correction. On the other hand, if correction is not allowed, the patent applicant faces the risk of irrevocable loss of patent rights from a mere clerical error. The Sections believe that is an unduly harsh penalty, where it does not appear to serve any important public policy objective. The Sections therefore believe that the PLT proposal provides a fairer balance between the interests of the various persons affected by a correction. Further, the Sections believe that having different rules in different countries will increase the rate of error in requesting correction, and therefore believe that a uniform standard is desirable.

PLT Article 13(2) allows a patent application to be filed within two months after the end of the Paris Convention year, and to claim Convention priority. The country where the later application is filed may require a showing that the failure to file the application within the year was unintentional, or that the failure occurred in spite of due care. As in the case of Article 13(1), the Sections believe that allowing such belated applications causes no harm to the public, reasonably protects the applicant against what is at present an unduly harsh penalty, and therefore provides a fairer balance between the interests of the various persons affected by the delayed filing. Further, the Sections believe that having different rules in different countries will increase the rate of error in requesting correction, and therefore believe that a uniform standard is desirable.

PLT Article 13(3) provides that where an applicant has timely requested a copy of the priority document from the office in which the priority application was filed, an extension of time for filing the priority document should be allowed until one month after the priority document is actually supplied. Effectively, this safeguards the applicant against a failure by the office in which the priority application was filed that is outside the applicant's control. Many members of the Sections have experienced such situations, and believe that such a safeguard is desirable. There is no apparently outweighing detriment to the receiving patent office or the public. The only harm is that in very rare cases examination or determination of validity might have to be delayed until a copy of the priority application can be obtained.

2. Type of documents submitted at the date of filing patent application

Patent Law Rule 39 currently requires a request, a description, and a claim, in order for a filing date to be assigned to a patent application. Rule 39 does not make clear to what extent the request must comply with Article 26 and/or Rules 16 and 17. Under Article 5 of the PLT, a filing date requires only some indication that a patent application is intended, information sufficient to contact and/or identify the applicant, and something that appears to be a description or drawing. Even the description may be replaced, under Article 5(7) of the PLT, by a reference to an earlier-filed application. We would not encourage the filing of the informal applications that are allowed under PLT Article 5, but the Sections feel that

it is an important safeguard for applicants not to deny a filing date to a patent application because of merely formal irregularities. Missing formal elements are required to be provided within a limited time, and changes to the disclosure are subject to the usual prohibition on adding new matter after filing. We believe the interests of the public are adequately protected against abuse by those two constraints.

3. Approved language of patent application document

PLT Articles 5(2)(b) and 6(3) require the patent office to accept a patent application with the specification in any language, but allow the office subsequently to require a translation into a language accepted by that Office. This benefits the applicant, who now has the full year of the Paris Convention period to plan and organize his foreign filing program, whereas under present procedures the need to prepare translations creates an effective decision deadline that may be weeks earlier, and that varies from country to country according to the difficulty of the translation required. Provided the translation is filed in time for publication at 18 months, and provided the original text remains definitive for new matter purposes, we believe that the detriment to the public, who may occasionally be misled by relying on an inaccurate translation, is outweighed by the benefit to the applicant.

4. Extension of response time limit

Article 11 and Rule 12 of the PLT require every patent office to provide at least one of: (a) 2 months' extension of time on request within the original time limit; (b) 2 months' extension of time on request within the extended time limit; and (c) continued processing on request within a 2 month period set in an official communication. Based on our practical experience in prosecuting patent applications, the Sections believe that a uniform standard would be extremely desirable to avoid the risk of a time limit being missed irrevocably because of confusion between the rules of different patent offices. The present Patent Law does not seem to fix any time limits for responses, or make any provision for extension of time. Article 37 and Rule 51(3) leave such details to be specified in the office action. Given the exigencies of business, the Sections believe that some provision for extension of time is desirable. We believe that 2 months is a reasonable compromise between allowing time to prepare a response where that has not been done within the original time limit, and protecting the interests of the public by not allowing the applicant to procrastinate indefinitely.

5. Recovery of Lost Rights

PLT Article 12 further requires reinstatement after a missed time limit results in loss of rights of the applicant, including after the end of the Article 11 period for response, where the applicant shows sufficient reasons for the delay. The patent office concerned may require a showing that the delay was either unintentional or in spite of due care. The time allowed must be at least 2 months from the removal of the cause of failure to comply, or 12 months from the expiry of the due date. We believe that such a provision is fair, to protect the applicant who for some reason is prevented from meeting the original time limit,

that the interests of the public are protected by the ultimate 12 month deadline, and abuse of the system is adequately deterred by the requirement to show reasons for the delay. This system, including the time limits now promoted by the PLT, has been used by the EPO for over 25 years with apparent success. Moreover, based on our practical experience in prosecuting patent applications, the Sections believe that a uniform standard would be extremely desirable to avoid the risk of a time limit being missed irrevocably because of confusion between the rules of different patent offices.

6. Relevant requirements of applicant specifying patent agent

PLT Article 7 and Rule 7 provide that a patent office may require that representatives be recognized to practice before the office in question and have an address within the territory of the office in question, and may require applicants to appoint representatives. A patent office must allow the applicant to act in person in certain circumstances, including, most importantly, to file an application for the purposes of securing a filing date, and to pay maintenance fees and other fees. The present Patent Law, in Articles 19 and 20, provides that a Chinese applicant may use a patent agent. A foreign applicant, or a Chinese applicant who intends to file foreign patent applications, must appoint a patent agency “designated by the patent administration department.” We discuss above the apparently discriminatory nature of Patent Law Articles 19 and 20, and in particular SIPO’s power to restrict certain applicants to using “designated” agents while allowing other applicants to use any agent. For the reasons explained in connection with Articles 19 and 20, the Sections believe that the additional restriction to “designated” agents is unnecessary and undesirable from a public policy point of view, and that the PLT position is to the greater benefit of the public. The Sections believe that varying local restrictions on choice of agent can cause substantial inconvenience to applicants without countervailing benefit to the public, and therefore believe that standardization is desirable.

Researching Guide §2.3.3 (Indirect Infringement)

The Sections recognize that the proposed amendments do not address indirect infringement. Nonetheless, since the topic was discussed in the Researching Guide, and in the event the topic is raised later in the consideration of amendments, we take this opportunity to suggest that the Patent Law should provide that: (a) whoever actively induces infringement of a patent shall be liable as an infringer; and (b) whoever contributorily infringes a patent shall be liable as an infringer; so that (c) whoever offers to sell or sells within the People’s Republic of China or imports into the People’s Republic of China a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.

Discussion

Indirect infringement, also known as contributory infringement, comprises actions which taken alone do not infringe a patent claim, but cause, assist, or otherwise result in infringement by others, whether intentional or not. Examples of indirect infringement are the supplying of a material or machinery part which is essential to the practice of the patented invention and which is afterwards used in an infringement, repairing or supplementing important parts of a patented machine, or actively inducing infringement.

Laws against indirect infringement do not exist in all countries. However, in some countries without specific laws regarding indirect infringement, actions of similar scope may lead to a finding of patent infringement.

Without a prohibition against indirect infringement, corporations can avoid direct infringement by encouraging individuals to perform tasks or create a product which would infringe patent rights. However, it is relatively easy to pursue damages or an injunction against a corporation that causes or assists individuals to infringe. It is practically impossible to bring a lawsuit against millions of direct infringers. The recent case of *Grokster*²⁴ in the U.S. is an example of the need for the principle of indirect infringement. Laws which stop corporations from actively inducing infringement will thus decrease direct infringement by individuals and strengthen patent holders' rights.

The Patent Law holds liable those who directly infringe a patent claim. There are no specific laws regarding indirect infringement. During the Second Amendment to the Patent Law in 2000, SIPO had proposed adding provisions related to indirect infringement, but they were not adopted. However, it has been reported that Chinese courts nonetheless have issued judgments based on indirect infringement of a patent, showing recognition of the principle of indirect / contributory infringement.

Therefore, to harmonize and strengthen the Patent Law, the law should be amended to specifically hold liable those who (a) actively induce infringement of a patent or (b) contributorily induce infringement of a patent. More specifically, the Patent Law should be amended to specifically hold liable whoever offers to sell or sells within the People's Republic of China or imports into China a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use.

²⁴ *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, ___ U.S. ___, No. 04-480 (2005) <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=000&invol=04-480>

Researching Guide §2.3.6 (Building Uniform Patent or IPR Court of Appeals)

The Sections recognize that the proposed amendments do not address the establishment of a uniform IPR court of appeals. Nonetheless, since the topic was discussed in the Researching Guide, and in the event the topic is raised later in the consideration of amendments, we take this opportunity to suggest that it would substantially strengthen China's patent law system to establish a single national court of appeals to which all appeals from decisions of the court of the first instance or administrative bodies regarding patent invalidation and infringement are to be made, with any and all appeals from such single national court to be heard by the Supreme People's Court.

With the goal of promotion of uniformity and predictability of rulings for claims arising under the patent law, the Sections also respectfully suggests the following:

- A. Judges for this court should not only have the usual judicial qualifications but also experience in patent law to reflect generally the court's actual case load.
- B. A commission should be created to make recommendations on judicial qualifications for such court.
- C. The court should have exclusive subject matter jurisdiction over patent appeals.
- D. In any event, a trial court should have the jurisdiction necessary to determine the validity of patent.
- E. In the event of other legal issues such as those that might arise under another law, such as a new anti-monopoly law, a party could choose follow the usual appellate path on such issues not specific to patent law.

Discussion

The PRC judicial system has several types of courts - local courts, military courts, special courts and the Supreme People's Court. Each of the local courts has three levels local, intermediate and higher. Within each court level there are several divisions - civil, economic, criminal and administrative.

Under the Opinion of the Supreme People's Court related to the Application of the Civil Procedure Law of June 19, 2001, in Article 2, intellectual property related cases are within the jurisdiction of the intermediate courts. Normally, patent cases are heard in the economic division of the intermediate courts.

There is also a completely separate administrative process for assertion of patent rights, the outcomes of which, in some circumstances, can be appealed to the courts.

The subject matter and geographic jurisdiction of the respective courts is governed by statute, but given the monisitic system and the delegation of authority, the courts of the first instance for all intellectual property cases may vary from province to province, region to region and city to city.

In Shanghai, for example, the courts of the first instance depend on the geographic jurisdiction in the municipality and the amount in controversy. They are defined in the Guidelines for Intellectual Property Civil Litigation in Shanghai Courts issued by Local People's Congress (including standing committee) and Government/Shanghai/Shanghai Supervision Committee Office Identification No. 16870116 dated December, 2004. There are two specific local courts (Huangpu and Pudong New Area) who can hear cases with lower amounts in controversy and in some instances cannot hear cases with foreign parties. The No. 1 and No. 2 Intermediate People's Courts have jurisdiction over higher amounts and the Higher People's Court the highest amounts. The judges in these tribunals' intellectual property divisions have considerable experience and receive specialized training.

Since there is generally only one appeal, appeals generally do not reach the Supreme People's Court and thus normally can never get to a single unitary panel. Therefore, the results vary from province to province and city to city, and the capability of the judges in each of the courts also varies by location. Trials may be conducted by judges who, in some instances, have quite limited experience. The interpretation of the law becomes disjoint and legal system development is hampered.

SIPO has recognized that intellectual property and especially patent lawsuits often involve complicated legal, professional and technical questions and that there is a difference between the character of such claims and other property claims. SIPO also pointed out that the EU and Korea are actively preparing to establish a uniform patent court of appeals and that the U.S. and Japan have such a court of appeals.

The situation facing China today is somewhat similar to that faced by the U.S. when it was considering the Court of Appeals of the Federal Circuit (CAFC) as the sole intermediate appellate court for patent cases (taking jurisdiction from the Circuit Courts of Appeal). In fact, it is even more extreme than in the U.S., since in the U.S., the Supreme Court always may hear cases that reflect a divergence of law in the different Circuits. Therefore, while there may still be some discussion in the U.S. regarding the wisdom of having established the CAFC, there is a stronger case for establishing such a specialized appellate tribunal in China.

Researching Guide §2.4.4 (Relationship between National Mandatory Standards and Patents)

The Sections recognize that the proposed amendments do not address the relationship between national mandatory standards and patents. Nonetheless, since the

topic was discussed in the Researching Guide, and in the event the topic is raised later in the consideration of amendments, we take this opportunity to support SIPO's apparent decision not impose a limitation on patent rights for technologies implicated in a national mandatory standard.

On many fronts, China is working to adopt policies that preserve market incentives for innovation. The Sections suggest that a market-oriented, reasonable and non-discriminatory ("RAND")-based approach to patents and standards is better suited to China's economic and development goals, and more consistent with China's efforts to attract foreign investment and innovation, than a broad exception that would limit patent rights in technologies incorporated into national mandatory standards.

Discussion

Standards play a vital role in the global economy. When properly adopted and applied, standards can help promote health, safety, or other public policy goals while ensuring that companies retain the freedom to develop diverse, innovative products, thereby strengthening competition and enhancing consumer choice. Standards are also part of the essential infrastructure of international trade.

As China evaluates its policies on patents and national mandatory standards, the Sections would encourage policymakers to adopt rules that are consistent with China's aspirations to spur economic growth and deepen its integration into the global economy. To this end, we would respectfully suggest that China seek to adopt policies that preserve existing market incentives for innovation, including in the standards-setting context.

One of the great benefits of patent protection is that it allows inventors to share patented technologies with others -- both customers and competitors (even in other countries) -- without losing the ability to recoup their investment in developing the innovation or to manage how the technology is exploited by others. This aspect of patents is particularly important in the standards context. The availability of patent protection encourages companies to participate in and contribute to standards-setting efforts because it enables them to retain a measure of control over their patented technologies while making them widely available to others.

For this reason, the vast majority of standards-setting organizations (SSOs) throughout the world understand the importance of respecting the IP rights of inventors. In practical terms, this means that no inventor can be forced to participate in a standard-setting effort against its will. And for those entities that do voluntarily participate in and contribute to the development of a standard, they retain ownership of their proprietary technologies but commit to license technologies that are "essential" to implement the standard to any interested party, typically on RAND terms.²⁵

²⁵ For a comprehensive survey of the IPR policies of the major standard setting organizations, *see* Mark A. Lemley, *Intellectual Property Rights and Standard-Setting Organizations*, 90 Cal. L. Rev. 1889 (April 2002). A draft of this article can be found on-line at <http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1027&context=boaltwp>. Out of the 29 SSOs

The Sections respectfully suggest that this market-oriented, RAND-based approach to patents and standards provides an instructive model for the Researching Guide's stated goal of "balancing of interests" of inventors and users. Because RAND licensing ensures that relevant technologies are available to all interested parties on reasonable terms, users can be confident that they will be able to implement the standard without having to pay above-market royalties or bear other unreasonable or discriminatory terms.²⁶ In this way, RAND licensing promotes the rapid adoption of new technologies into standards and encourages participation in standards-setting efforts by the greatest number of inventors, resulting in higher-quality standards and better products for consumers.

In our view, this approach is better suited to China's economic and development goals than a broad exception that would limit patent rights in technologies incorporated into national mandatory standards. Such a limitation would almost certainly discourage both Chinese and foreign companies with valuable, innovative technologies from participating in Chinese standards-setting efforts. This, in turn, would make it more likely that Chinese standards would be based on obsolete or second-rate technologies -- clearly a bad result for users of the standard, and for Chinese consumers. This result would also harm the ability of Chinese-initiated standards to compete with standards initiated in other parts of the world for consideration as global standards. This leads to weakening the ability of Chinese manufacturers who may have initially adopted a Chinese standard and now must do an expensive re-tooling and duplication of manufacturing and product stocking in order to sell outside of China.

Such a limitation on patent rights would also be inconsistent with China's efforts to attract foreign investment and innovation. To the best of our knowledge, no patent law of any other major economy in the world denies or limits patent protection for technologies solely on the ground that they are essential to the implementation of a standard. Nor has any country, to the best of our knowledge, adopted a policy of issuing compulsory patent licenses in such cases. Were China to adopt such a limitation, it would stand alone in this regard and might be perceived by foreign investors as hostile to innovation and R&D investment -- precisely the opposite of the goals set forth in China's recent *National Medium- and Long-term Program on Science and Technology Development 2006-2020*.

The U.S. government ("USG"), for example, almost universally leaves the development of standards and their associated intellectual property licensing policies to private or semi-private SSO such as ANSI, ETSI, and others. USG lets marketplace forces rather than governmental industrial policy lead to the development of the best standards. Through experience, USG has learned that, at least in the technology space, there is little need to mandate specific technologies.²⁷

surveyed, all major organizations had an intellectual property policy with licensing terms typically based on RAND.

²⁶ Although the IP policies of most SSOs permit owners of essential patents to charge a reasonable royalty, companies sometimes choose to license their essential patents at below-market rates, and even royalty-free.

²⁷ Given its regulatory charter, the U.S. Federal Communications Commission ("FCC") is the U.S. federal agency most likely to influence technology standards. Nevertheless, it is very careful not to impose its own

In the rare instances when a U.S. government agency deems it appropriate or necessary to mandate a standard, either for general use by the public or for the use of USG itself, it virtually always adopts the standards and IP licensing policies first developed and selected by private or quasi-private SSOs.²⁸ In fact, U.S. government agencies are required by law to adopt standards developed in this manner in all but highly unusual circumstances.²⁹ The only instances in which USG has essentially adopted compulsory licensing are those where significant public health or safety concerns are implicated. This appears to be the situation in Europe as well.

Compulsory licensing or other limitations on patents implemented in national mandatory standards might be inconsistent with China's WTO commitments, particularly under TRIPS. While TRIPS does not erect a complete bar to compulsory licensing, it does impose important constraints on such licensing -- constraints that might be violated if China were to adopt a broad compulsory licensing regime for essential technologies in national mandatory standards. For instance, compulsory licensing is generally barred where the patent owner is willing to license its patent on "reasonable commercial terms and conditions,"³⁰ and any compulsory license that does issue must ensure that the patent owner receives "adequate remuneration" for such license.³¹ Furthermore, compulsory licensing must in every case be "considered on its individual merits."³² There is a

substantive technical requirements. For example, in establishing spectrum and operational parameters for digital cellular services using the Personal Communications Service (PCS) bands, the FCC gave licensees the widest possible latitude in the operation of their systems. See 47 C.F.R. 24.2. While the FCC designates and licenses particular frequencies to PCS on a geographic basis, provides limits on height and output power of stations, and requires certification of compliance with human RF exposure standards (*id.* 24.229), the FCC is completely silent on the choice of technology by licensees for digital cellular services. Despite the fact that mandating the technology could have provided specific advantages such as roaming and interoperability, the Commission decided that "provid[ing] the maximum flexibility in technical standards [will] allow the new service to develop in the most rapid, economically feasible, diverse manner." See 8 FCC Rcd 7700, par. 136, 137. As a result, the commercial market has driven the deployment of technology leading to implementation of multiple network standards by wireless carriers, principally CDMA and GSM networks. This diversity has led to intense competition among equipment vendors on price and features, rapid development of new "third-generation" technology, world-wide mobile roaming, robust market competition among carriers, and rapid customer growth.

²⁸ For example, instead of forcing interoperability through mandatory licensing of technology, the FCC has allowed the public safety community to develop consensus-developed, user-driven standards to encourage interoperability among the various types of radio systems through the Association of Public-Safety Communications Officials (APCO). In coordination with other government groups, APCO created a steering committee in 1992 to develop a common industry standard for public safety radios. The FCC adopted certain of the committee's standards for operations in the 700 MHz public safety PMRS band in recognition of the important public interest need for interoperability among disparate public safety agencies and their individual radio systems during times of crisis. (The lack of interoperable communications among city agencies was a major problem in the public safety response to the World Trade Center disaster.)

²⁹ See Pub. L. 104-113, 110 Stat. 775 (1996); 63 F.R. 8545 (1998).

³⁰ *TRIPS Agreement*, art. 31(b).

³¹ *Id.*, art. 31(h).

³² *Id.*, art. 31(a).

substantial risk that a broad limitation on patent rights, through compulsory licensing or otherwise, might be inconsistent with these and other TRIPS commitments.

The Sections recognize that there may be situations where a participant in the standards development process unreasonably or intentionally fails to disclose information regarding its patents in accordance with rules governing the standards development process and then seeks to enforce rights that are essential to implementing the resulting standard. It may be appropriate in such circumstances to allow equitable estoppel as a defense to patent enforcement or to provide a remedy under competition law.³³ However, such situations should be distinguished from those where the owner of a patent that is essential to a standard either provided full disclosure of its essential patent claims, disclosed all of the essential patent claims of which it was aware,³⁴ or did not participate in the standard development process at all. Requiring compulsory licensing in such circumstances would be inconsistent with international norms and would be likely to discourage domestic innovation and foreign R&D investment for the reasons set forth above.

Conclusion

The Sections hope that this submission is useful. We would be pleased to respond to any questions regarding these Comments, or to provide any additional comments or information that may be of assistance.

September 12, 2006

Appendix

Unofficial Translation of Draft Amendments to the Patent Law issued July 31, 2006 by
SIPO

³³ This has been the approach in the U.S., where the federal competition enforcement agencies have prosecuted patent holders who were alleged to have abused the standard setting process (such as Rambus, Unocal, Dell) and when private parties raise the conduct as a defense in infringement litigation.

³⁴ A full disclosure of the essential patent claims of which the patent owner was aware should not include either confidential patent applications or corporate patent searches because such disclosure requirements would significantly discourage SSO participation by patent owners. Reasonable disclosure policies are critical for enhancing participation, which in turn ensures the robustness of the standard in development.

**Current Patent Law
(2000 Version)**

**Amended Patent Law (Draft)
(July 31, 2006)**

**Chapter I
General Provisions**

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General Provisions**

Article 1.

This Law is enacted to protect patent rights for inventions-creations, to encourage invention-creation, to foster the spreading and application of inventions-creations, and to promote the development and innovation of science and technology, for meeting the needs of the construction of socialist modernization.

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This Law is enacted to protect patent rights for inventions-creations, to encourage invention-creation, to foster the spreading and application of inventions-creations, and to promote the development and innovation of science and technology, for meeting the needs of the socialist modernization **and construction of an innovative country.**

Article 2.

In this Law, inventions-creations" mean inventions, utility models and designs.

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In this Law, inventions-creations" mean inventions, utility models and designs.

“Invention” means any new technical solution relating to a product, a process or improvement thereof.

“Utility model” means any new technical solution relating to the shape, structure, or their combination, of a product, which is fit for practical use.

“Design” means any new design of the shape, pattern, or their combination and the combination of color and shape or pattern, of a product, which creates an aesthetic feeling and is fit for industrial application.

Article 3.

The Patent Administration Department Under the State Council is responsible for the patent work throughout the country. It receives and examines patent applications and grants patent rights for inventions-creations in accordance with law.

The administrative authority for patent affairs under the people's governments of

Article 3.

The Patent Administrative department Under the State Council is responsible for the patent work throughout the country. It receives and examines patent applications and grants patent rights for inventions-creations in accordance with law.

The Patent Administrative departments of local people's governments

provinces, autonomous regions and municipalities directly under the Central Government are responsible for the administrative work concerning patents in their respective administrative areas.

Article 4.

Where an invention-creation for which a patent is applied for relates to the security or other vital interests of the State and is required to be kept secret, the application shall be treated in accordance with the relevant prescriptions of the State.

Article 5.

No patent right shall be granted for any invention-creation that is contrary to the laws of the State or social morality or that is detrimental to public interest.

Article 6.

An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee.

For a non-service invention-creation, the right to apply for a patent belongs to the inventor or creator. After the application is approved, the inventor or creator shall be the patentee.

In respect of an invention-creation made by a person using the material and technical means of an entity to which he belongs, where the entity and the inventor or creator

are responsible for the administrative work concerning patents in their respective administrative areas.

Article 4.

Where an invention-creation for which a patent is applied for relates to the security or other vital interests of the State and is required to be kept secret, the application shall be treated in accordance with the relevant prescriptions of the State.

Article 5.

No patent right shall be granted for any invention-creation that is contrary to the laws of the State or social morality or that is detrimental to public interest.

The invention-creations contrary to the laws of the State referred to in the preceding paragraph of this Article do not include the invention-creations only the exploitation of which is prohibited under the laws of the State.

Article 6.

An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the **technical secrets** of the entity is a service invention-creation.

In respect of an invention-creation made by a person using materials and technical means **other than technical secrets** of an entity to which he belongs, where the entity and the inventor or creator have entered into an agreement on the right to apply for and own a patent, such an agreement shall apply; **if no agreement has been made, the invention-creation is a non-service invention-creation, but the entity has the right to exploit the invention-creation in a non-exclusive and non-transferable manner.**

have entered into a contract in which the right to apply for and own a patent is provided for, such a provision shall apply.

Article 7.

No entity or individual shall prevent the inventor or creator from filing an application for a patent for a non-service invention-creation.

Article 8.

For an invention-creation jointly made by two or more entities or individuals, or made by an entity or individual in execution of a commission given to it or him by another entity or individual, the right to apply for a patent belongs, unless otherwise agreed upon, to the entity or individual that made, or to the entities or individuals that jointly made, the invention-creation. After the application is approved, the entity or individual that applied for it shall be the patentee.

Article 9.

Where two or more applicants file applications for patent for the identical invention-creation, the patent right shall be granted to the applicant whose application was filed first.

Article 10.

The patent application right and the patent right may be assigned.

Any assignment, by a Chinese entity or individual, of the right to apply for a patent, or of the patent right, to a foreigner must be approved by the competent department

For a service intention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee. For a non-service invention-creation, the right to apply for a patent belongs to the inventor or creator. After the application is approved, the inventor or creator shall be the patentee.

Article 7.

No entity or individual shall prevent the inventor or creator from filing an application for a patent for a non-service invention-creation.

Article 8.

For an invention-creation jointly made by two or more entities or individuals, or made by an entity or individual in execution of a commission given to it or him by another entity or individual, the right to apply for a patent belongs, unless otherwise **provided for**, to the entity or individual that made, or to the entities or individuals that jointly made, the invention-creation. After the application is approved, the entity or individual that applied for it shall be the patentee.

Article 9.

For any identical invention-creation, only one patent right shall be granted.

Where two or more applicants file applications for patent for the identical invention-creation, the patent right shall be granted to the applicant whose application was filed first.

Article 10.

The right to apply for a patent, the patent application right and the patent right may be assigned.

For any assignment of **the right to apply for a patent**, the patent application right or the patent right by a Chinese entity or individual to a foreigner, **a foreign**

concerned of the State Council.

Where the right to apply for a patent or the patent right is assigned, the parties shall conclude a written contract and register it with the Patent Administration Department Under the State Council. The Patent Administration Department Under the State Council shall announce the registration. The assignment shall take effect as of the date of registration.

Article 11.

After the grant of the patent right for an invention or utility model, except where otherwise provided for in this Law, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, and use, offer to sell, sell or import the product directly obtained by the patented process, for production or business purposes.

After the grant of the patent right for a design, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, make, sell or import the product incorporating its or his patented design, for production or business purposes.

Article 12.

Any entity or individual exploiting the patent of another shall conclude with the patentee a written license contract for exploitation and pay the patentee a fee for the exploitation of the patent. The licensee has no right to authorize any entity or individual, other than that referred to in the contract for exploitation, to exploit the patent.

enterprise or a foreign other organization, relevant procedures must be followed in accordance with provisions of the laws and administrative regulations.

Where patent application right or patent right is assigned, the parties shall conclude a written contract and register it with the Patent Administrative department Under the State Council. The Patent Administrative department Under the State Council shall announce the registration. The assignment shall take effect as of the date of registration.

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After the grant of the patent right for an invention or utility model, except where otherwise provided for in this Law, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, and use, offer to sell, sell or import the product directly obtained by the patented process, for production or business purposes.

After the grant of the patent right for a design, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, make, sell or import the product incorporating its or his patented design, for production or business purposes.

Article 12.

Any entity or individual exploiting the patent of another shall conclude with the patentee a written license contract for exploitation and pay the patentee a fee for the exploitation of the patent. The licensee has no right to authorize any entity or individual, other than that referred to in the contract for exploitation, to exploit the patent.

A1

Where the right to apply for a patent, patent application right or patent right is shared by two or more entities or individuals, the following acts shall be consented by all co-owners, unless agreed

upon otherwise:

(1). assigning the right to apply for a patent or the patent application right;

(2). assigning or pledging the patent right; and

(3). licensing others to exploit the patent.

Where the patent right is shared by two or more entities or individuals, any co-owner may exploit the patent alone unless agreed upon otherwise.

Article 13.

After the publication of the application for a patent for invention, the applicant may require the entity or individual exploiting the invention to pay an appropriate fee.

Article 14.

Where any patent for invention, belonging to any state-owned enterprise or institution, is of great significance to the interest of the State or to the public interest, the competent departments concerned under the State Council and the people's governments of provinces, autonomous regions or municipalities directly under the Central Government may, after approval by the State Council, decide that the patented invention be spread and applied within the approved limits, and allow designated entities to exploit that invention. The exploiting entity shall, according to the regulations of the State, pay a fee for exploitation to the patentee.

Any patent for invention belonging to a Chinese individual or an entity under collective ownership, which is of great significance to the interest of the State or to the public interest and is in need of spreading and application, may be treated alike by making reference to the provisions of the preceding paragraph.

Article 15.

The patentee has the right to affix a

Article 13.

After the publication of the application for a patent for invention, the applicant may require the entity or individual exploiting the invention to pay an appropriate fee.

Article 14.

For an invention-creation which is completed under a scientific research project with government investment, the right to apply for a patent belongs to the entity undertaking the projects.

Where **the invention-creation in the preceding paragraph** is of great significance to the interest of the State or to the public interest, the competent departments concerned under the State Council and the people's governments of provinces, autonomous regions or municipalities directly under the Central Government may, after approval by the State Council, decide that the patented invention be spread and applied within the approved limits, and allow designated entities to exploit that invention. The exploiting entity shall, according to the regulations of the State, pay a fee for exploitation to the patentee.

Article 15.

The patentee has the right to affix a

patent marking and to indicate the number of the patent on the patented product or on the packing of that product.

Article 16.

The entity that is granted a patent right shall award to the inventor or creator of a service invention-creation a reward and, upon exploitation of the patented invention-creation, shall pay the inventor or creator a reasonable remuneration based on the extent of spreading and application and the economic benefits yielded.

Article 17.

The inventor or creator has the right to be named as such in the patent document.

Article 18.

Where any foreigner, foreign enterprise or other foreign organization having no habitual residence or business office in China files an application for a patent in China, the application shall be treated under this Law in accordance with any agreement concluded between the country to which the applicant belongs and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of reciprocity.

Article 19.

Where any foreigner, foreign enterprise or other foreign organization having no habitual residence or business office in China applies for a patent, or has other patent matters to attend to, in China, it or he shall appoint a patent agency designated by the Patent Administration Department Under the State Council to act as his or its agent.

Where any Chinese entity or individual applies for a patent or has other patent matters to attend to in the country, it or he may appoint a patent agency to act as its or his agent.

The patent agency shall comply with the

patent marking and to indicate the number of the patent on the patented product or on the packing of that product.

Article 16.

The entity that is granted a patent right shall award to the inventor or creator of a service invention-creation a reward and, upon exploitation of the patented invention-creation, shall pay the inventor or creator a reasonable remuneration based on the extent of spreading and application and the economic benefits yielded.

Article 17.

The inventor or creator has the right to be named as such in the patent document.

Article 18.

Where any foreigner, foreign enterprise or other foreign organization having no habitual residence or business office in China files an application for a patent in China, the application shall be treated under this Law in accordance with any agreement concluded between the country to which the applicant belongs and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of reciprocity.

Article 19.

Where any foreigner, foreign enterprise or other foreign organization having no habitual residence or business office in China applies for a patent, or has other patent matters to attend to, in China, it or he shall appoint a patent agency **approved** by the Patent Administrative department Under the State Council to act as his or its agent.

Where any Chinese entity or individual applies for a patent or has other patent matters to attend to in the country, it or he may appoint a patent agency **approved by the Patent Administrative department Under the State Council** to act as its or his

provisions of laws and administrative regulations, and handle patent applications and other patent matters according to the instructions of its clients. In respect of the contents of its clients' inventions-creations, except for those that have been published or announced, the agency shall bear the responsibility of keeping them confidential. The administrative regulations governing the patent agency shall be formulated by the State Council.

Article 20.

Where any Chinese entity or individual intends to file an application in a foreign country for a patent for invention-creation made in China, it or he shall file first an application for patent with the Patent Administration Department Under the State Council, appoint a patent agency designated by the said department to act as its or his agent, and comply with the provisions of Article 4 of this Law.

Any Chinese entity or individual may file an international application for patent in accordance with any international treaty concerned to which China is party. The applicant filing an international application for patent shall comply with the provisions of the preceding paragraph.

The Patent Administration Department Under the State Council shall handle any international application for patent in accordance with the international treaty concerned to which China is party, this Law and the relevant regulations of the State Council.

Article 21.

The Patent Administration Department Under the State Council and its Patent Reexamination Board shall handle any patent application and patent-related request according to law and in conformity with the requirements for being objective, fair, correct and timely.

Until the publication or announcement of the application for a patent, staff members

agent.

The patent agency shall comply with the provisions of laws and administrative regulations, and handle patent applications and other patent matters according to the instructions of its clients. In respect of the contents of its clients' inventions-creations, except for those that have been published or announced, the agency shall bear the responsibility of keeping them confidential. The administrative regulations governing the patent agency shall be formulated by the State Council.

Article 20.

Where **any** entity or individual intends to file an application in a foreign country for a patent for invention-creation made in China, it or he shall file first an application for patent with the Patent Administrative department Under the State Council, and comply with the provisions of Article 4 of this Law.

Any Chinese entity or individual may file an international application for patent in accordance with any international treaty concerned to which China is party. The applicant filing an international application for patent shall comply with the provisions of the preceding paragraph.

The Patent Administrative department Under the State Council shall handle any international application for patent in accordance with the international treaty concerned to which China is party, this Law and the relevant regulations of the State Council.

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The Patent Administrative department Under the State Council shall

of the Patent Administration Department Under the State Council and other persons involved have the duty to keep its contents secret.

periodically publish Patent Gazette, and propagate the patent information in a complete, correct and timely manner.

Until the publication or announcement of the application for a patent, staff members of the Patent Administrative department Under the State Council and other persons involved have the duty to keep its contents secret.

Chapter II

Requirements for Grant of Patent Right

Article 22.

Any invention or utility model for which patent right may be granted must possess novelty, inventiveness and practical applicability.

Novelty means that, before the date of filing, no identical invention or utility model has been publicly disclosed in publications in the country or abroad or has been publicly used or made known to the public by any other means in the country, nor has any other person filed previously with the Patent Administration Department Under the State Council an application which described the identical invention or utility model and was published in patent application documents after the said date of filing.

Inventiveness means that, as compared with the technology existing before the date of filing, the invention has prominent substantive features and represents a notable progress and that the utility model has substantive features and represents progress.

Practical applicability means that the invention or utility model can be made or used and can produce effective results.

Chapter II

Requirements for Grant of Patent Right

Article 22.

Any invention or utility model for which patent right may be granted must possess novelty, inventiveness and practical applicability.

Novelty means that, **the invention or utility model shall neither belong to the prior art**, nor has any other person filed previously with the Patent Administrative department Under the State Council an application which described the identical invention or utility model and was published in patent application documents or **announced in patent documents** after the said date of filing.

Inventiveness means that, **as compared with the prior art** before the date of filing, the invention has prominent substantive features and represents a notable progress **for a person skilled in the relevant field of technology** and that the utility model has substantive features and represents progress **for a person skilled in the relevant field of technology**.

Practical applicability means that the invention or utility model can be made or used and can produce effective results.

The prior art referred to in this Law means any technology known to the public before the date of filing by way of public disclosure in publications, public use or any other means in this country or abroad.

Article 23.

Any design for which patent right may be granted must not be identical with and similar to any design which, before the date of filing, has been publicly disclosed in publications in the country or abroad or has been publicly used in the country, and must not be in conflict with any prior right of any other person.

Article 23.

Any design for which patent right may be granted **shall neither belong to the prior design, nor has any other person filed previously with the Patent Administrative department Under the State Council an application which described the identical design and was published after the said date of filing, and for a designer in the relevant field, the design is substantively different from the prior design or a combination of the feature of the prior design.**

Any design for which patent right may be granted must not be in conflict with any prior right of any other person.

The prior design referred to in this Law refers to any design known to the public before the date of filing by way of public disclosure in publications, public use or any other means in this country or abroad.

Article 24.

An invention-creation for which a patent is applied for does not lose its novelty where, within six months before the date of filing, one of the following events occurred:

- (1) where it was first exhibited at an international exhibition sponsored or recognized by the Chinese Government;
- (2) where it was first made public at a prescribed academic or technological meeting;
- (3) where it was disclosed by any person without the consent of the applicant.

Article 24.

Where an invention-creation for which a patent is applied for was **disclosed** in one of the following events, within six months before the date of filing, **said disclosure does not constitute a prior art or a prior design referred to in this Law for the said patent application:**

- (1) where it was first exhibited at an international exhibition sponsored or recognized by the Chinese Government;
- (2) where it was first made public at a prescribed academic or technological meeting;
- (3) where it was disclosed by any person without the consent of the applicant.

Article 25.

For any of the following, no patent right shall be granted:

- (1) scientific discoveries;

Article 25.

For any of the following, no patent right shall be granted:

- (1) scientific discoveries;

(2) rules and methods for mental activities;

(3) methods for the diagnosis or for the treatment of diseases;

(4) animal and plant varieties;

(5) substances obtained by means of nuclear transformation.

For processes used in producing products referred to in items (4) of the preceding paragraph, patent right may be granted in accordance with the provisions of this Law.

(2) rules and methods for mental activities;

(3) diagnostic, therapeutic and **surgical method for the treatment of humans or animals;**

(4) animal and plant varieties;

(5) substances obtained by means of nuclear transformation;

(6) two-dimensional printed matter whose pattern design serving as a sign only.

For processes used in producing products referred to in items (4) of the preceding paragraph, patent right may be granted in accordance with the provisions of this Law.

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For an invention-creation, the completion of which depends on acquisition and exploitation of genetic resources, but the acquisition and exploitation of said genetic resources are contrary to relevant laws and regulations of the State, no patent right shall be granted.

Chapter III

Application for Patent

Article 26.

Where an application for a patent for invention or utility model is filed, a request, a description and its abstract, and claims shall be submitted.

The request shall state the title of the invention or utility model, the name of the inventor or creator, the name and the address of the applicant and other related matters.

The description shall set forth the invention or utility model in a manner sufficiently clear and complete so as to enable a person skilled in the relevant field of technology to carry it out; where necessary, drawings are required. The abstract shall state briefly the main technical points of the

Chapter III

Application for Patent

Article 26.

Where an application for a patent for invention or utility model is filed, **application documents** such as a request, a description and its abstract, and claims shall be submitted.

The request shall state the title of the invention or utility model, the name of the inventor or creator, the name and the address of the applicant and other related matters.

The description shall set forth the invention or utility model in a manner sufficiently clear and complete so as to enable a person skilled in the relevant field of technology to carry it out; where necessary, drawings are required.

invention or utility model.

The claims shall be supported by the description and shall state the extent of the patent protection asked for.

Article 27.

Where an application for a patent for design is filed, a request, drawings or photographs of the design shall be submitted, and the product incorporating the design and the class to which that product belongs shall be indicated.

Article 28.

The date on which the Patent Administration Department Under the State Council receives the application shall be the date of filing. If the application is sent by mail, the date of mailing indicated by the postmark shall be the date of filing.

Article 29.

Where, within twelve months from the date on which any applicant first filed in a foreign country an application for a Patent for invention or utility model, or within six months from the date on which any applicant first filed in a foreign country an application for a patent for design, he or it files in China an application for a patent for the same subject matter, he or it may, in accordance with any agreement concluded between the said foreign country and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of mutual recognition of the right of priority, enjoy a right of priority.

Where, within twelve months from the date on which any applicant first filed in

For an invention-creation, the completion of which depends on acquisition and exploitation of genetic resources, the applicant shall indicate the source of said genetic resources in the description.

The abstract of **the description** shall state briefly the main technical points of the invention or utility model.

The claims shall be supported by the description and shall **define** the extent of the patent protection asked for **in a clear and concise manner.**

Article 27.

Where an application for a patent for design is filed, **application documents** such as a request, drawings or photographs of the design as well as **a brief explanation of the design** shall be submitted.

Article 28.

The date on which the Patent Administrative department Under the State Council receives the application shall be the date of filing. If the application is sent by mail, the date of mailing indicated by the postmark shall be the date of filing.

Article 29.

Where, within twelve months from the date on which any applicant first filed in a foreign country an application for a Patent for invention or utility model, or within six months from the date on which any applicant first filed in a foreign country an application for a patent for design, he or it files in China an application for a patent for the same subject matter, he or it may, in accordance with any agreement concluded between the said foreign country and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of mutual recognition of the right of priority, enjoy a right of priority.

Where, within twelve months from the date on which any applicant first filed in

China an application for a patent for invention or utility model, he or it files with the Patent Administration Department Under the State Council an application for a patent for the same subject matter, he or it may enjoy a right of priority.

Article 30.

Any applicant who claims the right of priority shall make a written declaration when the application is filed, and submit, within three months, a copy of the patent application document which was first filed; if the applicant fails to make the written declaration or to meet the time limit for submitting the patent application document, the claim to the right of priority shall be deemed not to have been made.

Article 31.

An application for a patent for invention or utility model shall be limited to one invention or utility model. Two or more inventions or utility models belonging to a single general inventive concept may be filed as one application.

An application for a patent for design shall be limited to one design incorporated in one product. Two or more designs which are incorporated in products belonging to the same class and are sold or used in sets may be filed as one application.

Article 32.

An applicant may withdraw his or its application for a patent at any time before the patent right is granted.

Article 33.

An applicant may amend his or its application for a patent, but the amendment to the application for a patent for invention or utility model may not go beyond the scope of the disclosure contained in the initial description and claims, and the amendment to

China an application for a patent for invention or utility model, he or it files with the Patent Administrative department Under the State Council an application for a patent for the same subject matter, he or it may enjoy a right of priority.

Article 30.

Any applicant who claims the right of priority shall make a written declaration when the application is filed, and submit, within three months, a copy of the patent application document which was first filed; if the applicant fails to make the written declaration or to meet the time limit for submitting the patent application document, the claim to the right of priority shall be deemed not to have been made.

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An application for a patent for invention or utility model shall be limited to one invention or utility model. Two or more inventions or utility models belonging to a single general inventive concept may be filed as one application.

An application for a patent for design shall be limited to one design incorporated in one product. **Two or more similar designs for the same product, or** two or more designs which are incorporated in products belonging to the same class and are sold or used in sets may be filed as one application.

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An applicant may amend his or its application for a patent, but the amendment to the application for a patent for invention or utility model may not go beyond the scope of the disclosure contained in the initial description and claims, and the amendment to

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the application for a patent for design may not go beyond the scope of the disclosure as shown in the initial drawings or photographs.

Chapter IV

Examination and Approval of Application for Patent

Article 34.

Where, after receiving an application for a patent for invention, the Patent Administration Department Under the State Council, upon preliminary examination, finds the application to be in conformity with the requirements of this Law, it shall publish the application promptly after the expiration of eighteen months from the date of filing. Upon the request of the applicant, the Patent Administration Department Under the State Council publishes the application earlier.

Article 35.

Upon the request of the applicant for a patent for invention, made at any time within three years from the date of filing, the Patent Administration Department Under the State Council will proceed to examine the application as to its substance. If, without any justified reason, the applicant fails to meet the time limit for requesting examination as to substance, the application shall be deemed to have been withdrawn.

The Patent Administration Department Under the State Council may, on its own initiative, proceed to examine any application for a patent for invention as to its substance when it deems it necessary.

Article 36.

When the applicant for a patent for invention requests examination as to substance, he or it shall furnish pre-filing date reference materials concerning the invention.

For an application for a patent for invention that has been already filed in a foreign country, the Patent Administration

Chapter IV

Examination and Approval of Application for Patent

Article 34.

Where, after receiving an application for a patent for invention, the Patent Administrative department Under the State Council, upon preliminary examination, finds the application to be in conformity with the requirements of this Law, it shall publish the application promptly after the expiration of eighteen months from the date of filing. Upon the request of the applicant, the Patent Administrative department Under the State Council publishes the application earlier.

Article 35.

Upon the request of the applicant for a patent for invention, made at any time within three years from the date of filing, the Patent Administrative department Under the State Council will proceed to examine the application as to its substance. If, without any justified reason, the applicant fails to meet the time limit for requesting examination as to substance, the application shall be deemed to have been withdrawn.

The Patent Administrative department Under the State Council may, on its own initiative, proceed to examine any application for a patent for invention as to its substance when it deems it necessary.

Article 36.

When the applicant for a patent for invention requests examination as to substance, he or it shall furnish pre-filing date reference materials concerning the invention.

For an application for a patent for invention that has been already filed in a foreign country, the Patent Administrative

Department Under the State Council may ask the applicant to furnish within a specified time limit documents concerning any search made for the purpose of examining that application, or concerning the results of any examination made, in that country. If, at the expiration of the specified time limit, without any justified reason, the said documents are not furnished, the application shall be deemed to have been withdrawn.

Article 37.

Where the Patent Administration Department Under the State Council, after it has made the examination as to substance of the application for a patent for invention, finds that the application is not in conformity with the provisions of this Law, it shall notify the applicant and request him or it to submit, within a specified time limit, his or its observations or to amend the application. If, without any justified reason, the time limit for making response is not met, the application shall be deemed to have been withdrawn.

Article 38.

Where, after the applicant has made the observations or amendments, the Patent Administration Department Under the State Council finds that the application for a patent for invention is still not in conformity with the provisions of this Law, the application shall be rejected.

Article 39.

Where it is found after examination as to substance that there is no cause for rejection of the application for a patent for invention, the Patent Administration Department Under the State Council shall make a decision to grant the patent right for invention, issue the certificate of patent for invention, and register and announce it. The patent right for invention shall take effect as of the date of the announcement.

department Under the State Council may ask the applicant to furnish within a specified time limit documents concerning any search made for the purpose of examining that application, or concerning the results of any examination made, in that country. If, at the expiration of the specified time limit, without any justified reason, the said documents are not furnished, the application shall be deemed to have been withdrawn.

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Article 40.

Where it is found after preliminary examination that there is no cause for rejection of the application for a patent for utility model or design, the Patent Administration Department Under the State Council shall make a decision to grant the patent right for utility model or the patent right for design, issue the relevant patent certificate, and register and announce it. The patent right for utility model or design shall take effect as of the date of the announcement.

Article 40.

Where it is found after preliminary examination that there is no cause for rejection of the application for a patent for utility model or design, the Patent Administrative department Under the State Council shall make a decision to grant the patent right for utility model or the patent right for design, issue the relevant patent certificate, and register and announce it. The patent right for utility model or design shall take effect as of the date of the announcement.

Article 41.

The Patent Administration Department Under the State Council shall set up a Patent Reexamination Board. Where an applicant for patent is not satisfied with the decision of the said department rejecting the application, the applicant may, within three months from the date of receipt of the notification, request the Patent Reexamination Board to make a reexamination. The Patent Reexamination Board shall, after reexamination, make a decision and notify the applicant for patent.

Article 41.

The Patent Administrative department Under the State Council shall set up a Patent Reexamination Board. Where an applicant for patent is not satisfied with the decision of the said department rejecting the application, the applicant may, within three months from the date of receipt of the notification, request the Patent Reexamination Board to make a reexamination. The Patent Reexamination Board shall, after reexamination, make a decision and notify the applicant for patent.

Where the applicant for patent is not satisfied with the decision of the Patent Reexamination Board, it or he may, within three months from the date of receipt of the notification, institute legal proceedings in the people's court.

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Chapter V

Duration, Cessation and Invalidation of Patent Right

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Duration, Cessation and Invalidation of Patent Right

Article 42.

The duration of patent right for inventions shall be twenty years, the duration of patent right for utility models and patent right for designs shall be ten years, counted from the date of filing.

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The duration of patent right for inventions shall be twenty years, the duration of patent right for utility models and patent right for designs shall be ten years, counted from the date of filing.

Article 43.

The patentee shall pay an annual fee

Article 43.

The patentee shall pay an annual fee

beginning with the year in which the patent right was granted.

Article 44.

In any of the following cases, the patent right shall cease before the expiration of its duration:

(1) where an annual fee is not paid as prescribed;

(2) where the patentee abandons his or its patent right by a written declaration. Any cessation of the patent right shall be registered and announced by the Patent Administration Department Under the State Council.

Article 45.

Where, starting from the date of the announcement of the grant of the patent right by the Patent Administration Department Under the State Council, any entity or individual considers that the grant of the said patent right is not in conformity with the relevant provisions of this Law, it or he may request the Patent Reexamination Board to declare the patent right invalid.

Article 46.

The Patent Reexamination Board shall examine the request for invalidation of the patent right promptly, make a decision on it and notify the person who made the request and the patentee. The decision declaring the patent right invalid shall be registered and announced by the Patent Administration Department Under the State Council.

Where the patentee or the person who made the request for invalidation is not satisfied with the decision of the Patent Reexamination Board declaring the patent right invalid or upholding the patent right, such party may, within three months from receipt of the notification of the decision, institute legal proceedings in the people's court. The people's court shall notify the person that is the opponent party of that party in the invalidation procedure to appear as a

beginning with the year in which the patent right was granted.

Article 44.

In any of the following cases, the patent right shall cease before the expiration of its duration:

(1) where an annual fee is not paid as prescribed;

(2) where the patentee abandons his or its patent right by a written declaration. Any cessation of the patent right shall be registered and announced by the Patent Administrative department Under the State Council.

Article 45.

Where, starting from the date of the announcement of the grant of the patent right by the Patent Administrative department Under the State Council, any entity or individual considers that the grant of the said patent right is not in conformity with the relevant provisions of this Law, it or he may request the Patent Reexamination Board to declare the patent right invalid.

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The Patent Reexamination Board shall examine the request for invalidation of the patent right promptly, make a decision on it and notify the person who made the request and the patentee. The decision declaring the patent right invalid shall be registered and announced by the Patent Administrative department Under the State Council.

Where the patentee or the person who made the request for invalidation is not satisfied with the decision of the Patent Reexamination Board declaring the patent right invalid or upholding the patent right, such party may, within three months from receipt of the notification of the decision, institute legal proceedings in the people's court. The people's court shall notify the person that is the opponent party of that party in the invalidation procedure to appear as a

third party in the legal proceedings.

Article 47.

Any patent right which has been declared invalid shall be deemed to be non-existent from the beginning.

The decision declaring the patent right invalid shall have no retroactive effect on any judgment or ruling of patent infringement which has been pronounced and enforced by the people's court, on any decision concerning the handling of a dispute over patent infringement which has been complied with or compulsorily executed, or on any contract of patent license or of assignment of patent right which has been performed prior to the declaration of the patent right invalid; however, the damage caused to other persons in bad faith on the part of the patentee shall be compensated.

If, pursuant to the provisions of the preceding paragraph, the patentee or the assignor of the patent right makes no repayment to the licensee or the assignee of the patent right of the fee for the exploitation of the patent or of the price for the assignment of the patent right, which is obviously contrary to the principle of equity, the patentee or the assignor of the patent right shall repay the whole or part of the fee for the exploitation of the patent or of the price for the assignment of the patent right to the licensee or the assignee of the patent right.

Chapter VI

Compulsory License for Exploitation of Patent

Article 48.

Where any entity which is qualified to exploit the invention or utility model has made requests for authorization from the patentee of an invention or utility model to exploit its or his patent on reasonable terms and conditions and such efforts have not been successful within a reasonable period of time, the Patent Administration Department Under the State Council may, upon the request of

third party in the legal proceedings.

Article 47.

Any patent right which has been declared invalid shall be deemed to be non-existent from the beginning.

The decision declaring the patent right invalid shall have no retroactive effect on any judgment or ruling of patent infringement which has been pronounced and enforced by the people's court, on any decision concerning the handling of a dispute over patent infringement which has been complied with or compulsorily executed, or on any contract of patent license or of assignment of patent right which has been performed prior to the declaration of the patent right invalid; however, the damage caused to other persons in bad faith on the part of the patentee shall be compensated.

If, pursuant to the provisions of the preceding paragraph, the patentee or the assignor of the patent right makes no repayment to the licensee or the assignee of the patent right of the fee for the exploitation of the patent or of the price for the assignment of the patent right, which is obviously contrary to the principle of equity, the patentee or the assignor of the patent right shall repay the whole or part of the fee for the exploitation of the patent or of the price for the assignment of the patent right to the licensee or the assignee of the patent right.

Chapter VI

Compulsory License for Exploitation of Patent

Article 48.

Where **the patentee of an invention or utility model, after the expiration of three years from the grant of the patent right, has not exploited the patent or has not sufficiently exploited the patent without any justified reason**, the Patent Administration department Under the State Council may, upon the request of the entity which is qualified to exploit the invention or

that entity, grant a compulsory license to exploit the patent for invention or utility model.

Article 49.

Where a national emergency or any extraordinary state of affairs occurs, or where the public interest so requires, the Patent Administration Department Under the State Council may grant a compulsory license to exploit the patent for invention or utility model.

utility model, grant a compulsory license to exploit the patent for invention or utility model.

Article 49.

Where a national emergency or any extraordinary state of affairs occurs, or where the public interest so requires, the Patent Administrative department Under the State Council may, **upon the request by relevant responsible department under the State Council, grant the entity which is qualified for exploitation** a compulsory license to exploit the patent for invention or utility model.

The occurrence or propagation of an epidemic disease that causes public health crisis constitutes a national emergency prescribed in the preceding paragraph. The prevention of occurrence of an epidemic disease, the control of propagation of an epidemic disease, or the treatment of patients of an epidemic disease are actions required by the public interest in the preceding paragraph.

Where a drug for treating an epidemic disease has been granted a patent in China, and a developing country or a least developed country who have no or insufficient capability to manufacture the said drug, hopes to import the drug from China, the Patent Administrative department Under the State Council may grant an entity which is qualified for exploitation, a compulsory license to manufacture the said drug and to export it to the said country in accordance with relevant stipulations in the international treaties to which China is a party.

Article 50.

Where the invention or utility model for which the patent right has been granted involves important technical advance of considerable economic significance in relation to another invention or utility model for which a patent right has been granted earlier and the exploitation of the later invention or utility model depends on the exploitation of the earlier invention or utility

Article 50.

Where the invention or utility model for which the patent right has been granted involves important technical advance of considerable economic significance in relation to another invention or utility model for which a patent right has been granted earlier and the exploitation of the later invention or utility model depends on the exploitation of the earlier invention or utility

model, the Patent Administration Department Under the State Council may, upon the request of the later patentee, grant a compulsory license to exploit the earlier invention or utility model.

Where, according to the preceding paragraph, a compulsory license is granted, the Patent Administration Department Under the State Council may, upon the request of the earlier patentee, also grant a compulsory license to exploit the later invention or utility model.

Article 51.

The entity or individual requesting, in accordance with the provisions of this Law, a compulsory license for exploitation shall furnish proof that it or he has not been able to conclude with the patentee a license contract for exploitation on reasonable terms and conditions.

Article 52.

The decision made by the Patent Administration Department Under the State Council granting a compulsory license for exploitation shall be notified promptly to the patentee concerned, and shall be registered and announced.

In the decision granting the compulsory license for exploitation, the scope and duration of the exploitation shall be specified on the basis of the reasons justifying the grant. If and when the circumstances which led to such compulsory license cease to exist and are unlikely to recur, the Patent Administration Department Under the State Council may, after review upon the request of the patentee, terminate the compulsory license.

model, the Patent Administrative department Under the State Council may, upon the request of the later patentee, grant a compulsory license to exploit the earlier invention or utility model.

Where, according to the preceding paragraph, a compulsory license is granted, the Patent Administrative department Under the State Council may, upon the request of the earlier patentee, also grant a compulsory license to exploit the later invention or utility model.

Article 51.

The entity or individual requesting, in accordance with the provisions of **Article 48 and Article 50 of this Law**, a compulsory license for exploitation shall furnish proof that **it or he has made requests for a license from the patentee of an invention or utility model to exploit its or his patent on reasonable terms and such efforts have not been successful within a reasonable period of time.**

Article 52.

The decision made by the Patent Administrative department Under the State Council granting a compulsory license for exploitation shall be notified promptly to the patentee concerned, and shall be registered and announced.

In the decision granting the compulsory license for exploitation, the scope and duration of the exploitation shall be specified on the basis of the reasons justifying the grant. If and when the circumstances which led to such compulsory license cease to exist and are unlikely to recur, the Patent Administrative department Under the State Council may, after review upon the request of the patentee, terminate the compulsory license.

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The decision by the Patent Administrative department under the State Council granting a compulsory license for exploitation shall provide that the exploitation shall be predominately for the supply of the domestic market, except as otherwise provided for in Article 49, third paragraph, of this Law.

Where the invention-creation covered by the compulsory license relates to a semi-conductor technology, the exploitation under the compulsory license is limited to public and non-commercial use or to the use in remedy of an action against unfair competition as determined by the judicial or administrative procedure.

Article 53.

Any entity or individual that is granted a compulsory license for exploitation shall not have an exclusive right to exploit and shall not have the right to authorize exploitation by any others.

Article 53.

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Article 54.

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Article 55.

Where the patentee is not satisfied with the decision of the Patent Administration Department Under the State Council granting a compulsory license for exploitation, or where the patentee or the entity or individual that is granted the compulsory license for exploitation is not satisfied with the ruling made by the Patent Administration Department Under the State Council regarding the fee payable for exploitation, it or he may, within three months from the

Article 55.

Where the patentee is not satisfied with the decision of the Patent Administrative department Under the State Council granting a compulsory license for exploitation, **or the entity or individual requesting a compulsory license for exploitation is not satisfied with the decision made by the Patent Administrative department Under the State Council rejecting its or his application**, it or he may, within three months from the receipt of the date of

receipt of the date of notification, institute legal proceedings in the people's court.

notification, institute legal proceedings in the people's court **in accordance with the Administrative Procedure Law of the People's Republic of China.**

Where the patentee or the entity or individual that is granted the compulsory license for exploitation is not satisfied with the ruling made by the Patent Administrative department Under the State Council regarding the exploitation fee, it or he may, within three months from the receipt of the date of notification, **institute legal proceedings in the people's court in accordance with the Civil Procedure Law of the People's Republic of China.**

Chapter VII

Protection of Patent Right

Article 56.

The extent of protection of the patent right for invention or utility model shall be determined by the terms of the claims. The description and the appended drawings may be used to interpret the claims.

The extent of protection of the patent right for design shall be determined by the product incorporating the patented design as shown in the drawings or photographs.

Article 57.

Where a dispute arises as a result of the exploitation of a patent without the authorization of the patentee, that is, the infringement of the patent right of the patentee, it shall be settled through consultation by the parties. Where the parties are not willing to consult with each other or where the consultation fails, the patentee or any interested party may institute legal proceedings in the people's court, or request the administrative authority for patent affairs to handle the matter. When the administrative authority for patent affairs handling the matter considers that the infringement is established, it may order the infringer to stop

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The extent of protection of the patent right for design shall be determined by the product incorporating the patented design as shown in the drawings or photographs. **The brief explanation may be used to interpret the drawings or photographs.**

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Where a dispute arises as a result of the exploitation of a patent without the authorization of the patentee, that is, the infringement of the patent right of the patentee, it shall be settled through consultation by the parties. Where the parties are not willing to consult with each other or where the consultation fails, the patentee or any interested party may institute legal proceedings in the people's court, or request the **patent administrative department** to handle the matter.

the infringing act immediately. If the infringer is not satisfied with the order, he may, within 15 days from the date of receipt of the notification of the order, institutes legal proceedings in the people's court in accordance with the Administrative Procedure Law of the People's Republic of China. If, within the said time limit, such proceedings are not instituted and the order is not complied with, the administrative authority for patent affairs may approach the people's court for compulsory execution. The said authority handling the matter may, upon the request of the parties, mediate in the amount of compensation for the damage caused by the infringement of the patent right. If the mediation fails, the parties may institute legal proceedings in the people's court in accordance with the Civil Procedure Law of the People's Republic of China.

Where any infringement dispute relates to a patent for invention for a process for the manufacture of a new product, any entity or individual manufacturing the identical product shall furnish proof to show that the process used in the manufacture of its or his product is different from the patented process. Where the infringement relates to a patent for utility model, the people's court or the administrative authority for patent affairs may ask the patentee to furnish a search report made by the Patent Administration Department Under the State Council.

A4.

When the **patent administrative department** handling the patent infringement dispute considers that the infringement is established, it may order the infringer to stop the infringing act immediately; **where the infringing act is serious, the infringing products and the equipments specially used for carrying out the infringing act may be confiscated.**

If a party is not satisfied with the order made by **the patent administrative department**, he may, within 15 days from the date of receipt of the notification of the order, institutes legal proceedings in the people's court in accordance with the Administrative Procedure Law of the

People's Republic of China; if, within the said time limit, such proceedings are not instituted and the order is not complied with, the **patent administrative department** may approach the people's court for compulsory execution.

The **patent administrative department** handling the matter may, upon the request of the parties, mediate in the amount of compensation for the damage caused by the infringement of the patent right; if the mediation fails, the parties may institute legal proceedings in the people's court in accordance with the Civil Procedure Law of the People's Republic of China.

A5.

When handling patent infringement disputes, the patent administrative department may exercise the following functions and authorities:

(1) to inquire the parties involved, and to investigate the facts relevant to the alleged infringement of the patent right of other persons;

(2) to inspect and duplicate the contracts, invoices, account books and other relevant materials related to the party's alleged infringement of the patent right of other persons;

(3) to carry out an on-the-spot inspection of the site where the party's activities of the alleged infringement of the patent right of other persons took place;

(4) to seal up or seize the products that are proved by evidences to infringe the patent right of other person or the equipments that are specially used for carrying out the infringing act.

The parties shall assist and cooperate with the patent administrative departments in exercising the functions and authorities prescribed in the preceding paragraph in accordance with law, and may not refuse or impede them.

A6.

Where any infringement dispute relates to a patent for invention for a process for the manufacture of a new product, any entity or individual manufacturing the identical product shall furnish proof to show that the process used in the manufacture of its or his product is different from the patented process.

Where a **patent infringement dispute** relates to a patent for utility model or a **patent for design, the patentee or the interested party shall** furnish to the people's court or the **patent administrative department** a search report made by the Patent Administrative department Under the State Council.

A7.

Infringement of a patent for invention or utility model means that the technology exploited by the accused infringer has technical features identical with or equivalent to all the technical features of a technical solution defined in one claim of the patent for invention or utility model.

Equivalent feature means that, although a technical feature of the technology exploited by the accused infringer is different from the corresponding technical feature defined in a claim of the patent for invention or utility model, at the time the infringing act occurs, a person skilled in the art is able to recognize, upon reading the specification, drawings and claims of the patent without the necessity of paying out inventive effort, that those features perform substantially the same function in substantially the same way to produce substantially the same effect.

A8.

The infringement of a patent for design means that the product manufactured, sold or imported by the accused infringer is identical with or similar to the product indicated explicitly in a patent document for design, and the design of the said product is identical with or similar to the design shown in the

picture or photo of the patent for design, leading to the confusion of them by ordinary consumers.

A9.

The written amendments or observations limiting the scope of protection of the patent made by the patent applicant during the patent examination or by the patentee during the procedure of a request for invalidation declaration in order to make its or his patent application or patent in conformity with the requirements for granting patent right prescribed by this Law shall produce binding effect on the patentee, and estoppel applies during the trial or handling of the patent infringement dispute.

A10.

Where the people's court or the patent administrative department trying or handling the patent infringement dispute decides that the technology or design exploited by the accused infringer belongs to prior art or prior design based on the evidences provided by the parties, the said exploiting act shall not be considered as constituting an infringing act.

Where the patentee, knowing that the technology or design for which a patent right has been granted belongs to prior art or prior design, accuses other persons for infringing its or his patent right in bad faith and institutes legal proceedings in the people's court or request the patent administrative department to handle the matter, the accused infringer may request the people's court to order the patentee to compensate for the damage thus caused to the accused infringer.

A11.

After a judgment or administrative decision cognizing the establishment of an

infringement by the people's court or the patent administrative department takes effect, where the same infringer makes a similar infringing act on the same patent right once again, he shall, in addition to bearing civil liability in accordance with law, be ordered by the patent administrative department to amend his act, with announcement of the order, and his illegal earnings shall be confiscated and, he may be additionally imposed a fine of up to three times his illegal earnings or, if there is no illegal earnings, a fine of up to RMB 100, 000 yuan.

Article 58.

Where any person passes off the patent of another person as his own, he shall, in addition to bearing his civil liability according to law, be ordered by the administrative authority for patent affairs to amend his act, and the order shall be announced. His illegal earnings shall be confiscated and, in addition, he may be imposed a fine of not more than three times his illegal earnings and, if there is no illegal earnings, a fine of not more than RMB 50,000 yuan. Where the infringement constitutes a crime, he shall be prosecuted for his criminal liability.

Article 59.

Where any person passes any non-patented product off as patented product or passes any non-patented process off as patented process, he shall be ordered by the administrative authority for patent affairs to amend his act, and the order shall be announced, and he may be imposed a fine of not no more than RMB 50,000 yuan.

Article 60.

The amount of compensation for the damage caused by the infringement of the patent right shall be assessed on the basis of the losses suffered by the patentee or the

Article 58.

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Article 59.

Where any person passes any non-patented product off as patented product or passes any non-patented process off as patented process, he shall be ordered by the **patent administrative department** to amend his act, and the order shall be announced, **with confiscation of illegal earnings and, in addition, he may be imposed a fine of up to three times his illegal earnings and, if there is no illegal earnings,** a fine of not more than RMB **100,000** yuan.

Article 60.

The amount of compensation for the damage caused by the infringement of the patent right shall be assessed on the basis of the losses suffered by the patentee or the

profits which the infringer has earned through the infringement. If it is difficult to determine the losses which the patentee has suffered or the profits which the infringer has earned, the amount may be assessed by reference to the appropriate multiple of the amount of the exploitation fee of that patent under contractual license.

Article 61.

Where any patentee or interested party has evidence to prove that another person is infringing or will soon infringe its or his patent right and that if such infringing act is not checked or prevented from occurring in time, it is likely to cause irreparable harm to it or him, it or he may, before any legal proceedings are instituted, request the people's court to adopt measures for ordering the suspension of relevant acts and the preservation of property.

The people's court, when dealing with the request mentioned in the preceding paragraph, shall apply the provisions of Article 93 through Article 96 and of Article 99 of the Civil Procedure Law of the People's Republic of China.

profits which the infringer has earned through the infringement. If it is difficult to determine the losses which the patentee has suffered or the profits which the infringer has earned, the amount may be assessed by reference to the appropriate multiple of the amount of the exploitation fee of that patent under contractual license. **Where there is no patent exploitation fee under contractual license for reference or the patent exploitation fee under contractual license is obviously unreasonable, the people's court may set an amount of compensation of not less than RMB 5,000 yuan and not more than RMB 1,000,000 yuan in light of factors such as the type of the patent right, the nature of the infringing act and the circumstances.**

Article 61.

Where any patentee or interested party has evidence to prove that another person is infringing or will soon infringe its or his patent right and that if such infringing act is not checked or prevented from occurring in time, it is likely to cause irreparable harm to it or him, it or he may, before any legal proceedings are instituted, request the people's court to adopt measures for ordering the suspension of relevant acts and the preservation of property.

The people's court, when dealing with the request mentioned in the preceding paragraph, shall apply the provisions of Article 93 through Article 96 and of Article 99 of the Civil Procedure Law of the People's Republic of China.

A12.

In order to stop a patent infringing act, under the circumstance that an evidence might become extinct or hard to obtain hereafter, the patentee or the interested party may request the people's court for preservation of the evidence before instituting legal proceedings.

After receipt of the request, the people's court shall make a ruling within

48 hours; if the court rules to grant preservation measures, the execution thereof shall be started immediately.

The people's court may order the requester to provide guarantee; if the requester fails to do so, the request shall be rejected.

If the requester does not institute legal proceedings within 15 days after the people's court has adopted the preservation measures, the people's court shall lift the preservation measures.

Article 62.

Prescription for instituting legal proceedings concerning the infringement of patent right is two years counted from the date on which the patentee or any interested party obtains or should have obtained knowledge of the infringing act.

Where no appropriate fee for exploitation of the invention, subject of an application for patent for invention, is paid during the period from the publication of the application to the grant of patent right, prescription for instituting legal proceedings by the patentee to demand the said fee is two years counted from the date on which the patentee obtains or should have obtained knowledge of the exploitation of his invention by another person. However, where the patentee has already obtained or should have obtained knowledge before the date of the grant of the patent right, the prescription shall be counted from the date of the grant.

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Where no appropriate fee for exploitation of the invention, subject of an application for patent for invention, is paid during the period from the publication of the application to the grant of patent right, prescription for instituting legal proceedings by the patentee to demand the said fee is two years counted from the date on which the patentee obtains or should have obtained knowledge of the exploitation of his invention by another person. However, where the patentee has already obtained or should have obtained knowledge before the date of the grant of the patent right, the prescription shall be counted from the date of the grant.

A13.

Where the patentee or any interested party institutes legal proceedings beyond the prescription for instituting legal proceedings, it or he shall not request for compensation for damages caused by an infringement act occurring 2 years before the date of instituting the legal proceedings; where the infringing act still continues at the time of the institution of the legal proceedings, it or he may request the people's court or the patent administrative department to order the

infringer to stop the infringing act.

Where the infringing act has lasted for five years counted from the date on which the patentee or any interested party obtains or should have obtained knowledge of the infringing act, but the patentee or the interested party fails to claim its or his right without any justified reason, if the infringer is willing to pay an amount of exploitation fees agreed upon by both parties or ruled by the people's court, the infringer may continue its or his act of exploiting the said patent.

Article 63.

None of the following shall be deemed as infringement of the patent right:

(1) Where, after the sale of a patented product that was made or imported by the patentee or with the authorization of the patentee, or of a product that was directly obtained by using the patented process, any other person uses, offers to sell or sells that product;

(2) Where, before the date of filing of the application for patent, any person who has already made the identical product, used the identical process, or made necessary preparations for its making or using, continues to make or use it within the original scope only;

(3) Where any foreign means of transport which temporarily passes through the territory, territorial waters or territorial airspace of China uses the patent concerned, in accordance with any agreement concluded between the country to which the foreign means of transport belongs and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of reciprocity, for its own needs, in its devices and installations;

(4) Where any person uses the patent concerned solely for the purposes of scientific research and experimentation.

Any person who, for production and business purpose, uses or sells a patented

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(1) Where, after the sale of a patented product that was made by the patentee or with the authorization of the patentee, or of a product that was directly obtained by using the patented process, any other person uses, offers to sell, sells **or imports** that product;

(2) Where, before the date of filing of the application for patent, any person who has already made the identical product, used the identical process, or made necessary preparations for its making or using, **based on the technology or design that is self-developed or legally acquired**, after the grant of patent right, continues to make **said product and use, offer to sell, sell the product** within the original scope only, **or continues to use said process and use, offer to sell, sell a product directly obtained by using the said process within the original scope only**;

(3) Where any foreign means of transport which temporarily passes through the territory, territorial waters or territorial airspace of China uses the patent concerned, in accordance with any agreement concluded between the country to which the foreign means of transport belongs and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of reciprocity, for its own needs, in its devices and installations;

product or a product that was directly obtained by using a patented process, without knowing that it was made and sold without the authorization of the patentee, shall not be liable to compensate for the damage of the patentee if he can prove that he obtains the product from a legitimate source.

(4) Where any person manufactures, uses or imports a patented product or uses a patented process solely for the purposes of scientific research and experimentation on the patent technology *per se*, and any person manufactures, imports or sells a patented product to the said person;

(5) Where any person manufactures, uses or imports a patented drug or a patented medical equipment solely for the purposes of obtaining and providing the information needed for the administrative approval of the drug or medical equipment, and any person manufactures, imports or sells a patented drug or a patented medical equipment to the said person.

Any person who, for production and business purpose, uses, **offers to sell** or sells a patented product or a product that was directly obtained by using a patented process, without knowing that it was made and sold without the authorization of the patentee, shall not be liable to compensate for the damage of the patentee if he can prove that he obtains the product from a legitimate source.

Article 64.

Where any person, in violation of the provisions of Article 20 of this Law, files in a foreign country an application for a patent that divulges an important secret of the State, he shall be subject to disciplinary sanction by the entity to which he belongs or by the competent authority concerned at the higher level. Where a crime is established, the person concerned shall be prosecuted for his criminal liability according to the law.

Article 64.

Where **any entity or individual**, in violation of the provisions of Article 20 of this Law, files **firstly** in a foreign country **an application for a patent for invention-creation that is completed in China, no patent right shall be granted for the patent application for said invention-creation filed in China by it or him**; where the secret of the State is divulged, the person concerned shall be prosecuted for his **legal** liability.

Article 65.

Where any person usurps the right of an inventor or creator to apply for a patent for a non-service invention-creation, or usurps any other right or interest of an inventor or creator, prescribed by this Law, he shall be subject to disciplinary sanction by the entity

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to which he belongs or by the competent authority at the higher level.

Article 66.

The administrative authority for patent affairs may not take part in recommending any patented product for sale to the public or any such commercial activities.

Where the administrative authority for patent affairs violates the provisions of the preceding paragraph, it shall be ordered by the authority at the next higher level or the supervisory authority to correct its mistakes and eliminate the bad effects. The illegal earnings, if any, shall be confiscated. Where the circumstances are serious, the persons who are directly in charge and the other persons who are directly responsible shall be given disciplinary sanction in accordance with law.

Article 67.

Where any State functionary working for patent administration or any other State functionary concerned neglects his duty, abuses his power, or engages in malpractice for personal gain, which constitutes a crime, shall be prosecuted for his criminal liability in accordance with law. If the case is not serious enough to constitute a crime, he shall be given disciplinary sanction in accordance with law.

Chapter VIII

Supplementary Provisions

Article 68.

Any application for a patent filed with, and any other proceedings before, the Patent Administration Department Under the State Council shall be subject to the payment of a fee as prescribed.

Article 69.

to which he belongs or by the competent authority at the higher level.

Article 66.

The **patent administrative department** may not take part in recommending any patented product for sale to the public or any such commercial activities.

Where the **patent administrative department** violates the provisions of the preceding paragraph, it shall be ordered by the authority at the next higher level or the supervisory authority to correct its mistakes and eliminate the bad effects. The illegal earnings, if any, shall be confiscated. Where the circumstances are serious, the persons who are directly in charge and the other persons who are directly responsible shall be given disciplinary sanction in accordance with law.

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